H1
2014

HALF-YEARLY FINANCIAL REPORT OF THE K+S GROUP JANUARY TO JUNE

+ Good demand continues in the Potash and Magnesium Products business unit
+ Prices for potash fertilizers stabilise on a low level
+ Salt business stable
+ At € 786 million, quarterly revenues down tangibly on a year ago
+ EBIT I at € 157 million; special item of approx. € 30 million
+ Good progress on “Fit for the Future”
+ Outlook for 2014: EBIT I of between € 490 million and € 570 million (including special item)

KEY DATA BUSINESS DEVELOPMENT

KEY FIGURES (IFRS)

		Q2/14	Q2/13	%	H1/14	H1/13	%
Revenues	€ million	785.7	874.5	−10.2	1,974.7	2,154.8	−8.4
– thereof Potash and Magnesium Products business unit	€ million	461.1	548.3	−15.9	968.5	1,173.8	−17.5
– thereof Salt business unit	€ million	287.2	285.2	+ 0.7	928.2	899.7	+ 3.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	€ million	223.5	227.0	−1.5	503.3	563.3	−10.7
– thereof Potash and Magnesium Products business unit	€ million	196.4	209.8	−6.4	361.9	445.8	−18.8
– thereof Salt business unit	€ million	26.4	18.6	+ 41.9	140.1	118.8	+ 17.9
Operating earnings (EBIT I)	€ million	157.3	162.6	−3.3	376.9	440.5	−14.4
– thereof Potash and Magnesium Products business unit	€ million	159.2	182.0	−12.5	293.6	391.2	−24.9
– thereof Salt business unit	€ million	1.7	−13.5	–	90.8	59.6	+ 52.3
EBIT I-margin	%	20.0	18.6	–	19.1	20.4	–
– thereof Potash and Magnesium Products business unit	%	34.5	33.2	–	30.3	33.3	–
– thereof Salt business unit	%	0.6	−4.7	–	9.8	6.6	–
Group earnings from continued operations, adjusted [1]	€ million	81.1	105.9	−23.4	222.6	296.1	−24.8
Earnings per share from continued operations, adjusted [1]	€	0.42	0.56	−25.0	1.16	1.55	−25.2
Capital expenditure [2]	€ million	271.6	191.3	+ 42.0	436.2	302.1	+ 44.4
Depreciation and amortisation [2]	€ million	66.2	64.4	+ 2.8	126.4	122.8	+ 2.9
Cash flow from operating activities	€ million	137.1	230.1	−40.4	516.4	544.1	−5.1
Free cash flow	€ million	14.7	198.8	−92.6	−346.9	333.6	–
Free cash flow, adjusted [3,4]	€ million	−46.4	68.3	–	157.2	280.5	−44.0
Net debt as of 30 June	€ million	–	–	–	1,098.2	791.1	+ 38.8
Net debt/EBITDA (LTM)		–	–	–	1.3	0.8	–
Equity ratio	%	–	–	–	45.6	52.5	−13.0
Return on Capital Employed (LTM) [5]	%	–	–	–	13.4	18.7	–
Book value per share as of 30 June	€	–	–	–	18.68	17.86	+ 4.6
Average number of shares	million	191.40	191.40	–	191.40	191.40	–
Employees as of 30 June [6]	number	–	–	–	14,248	14,255	–
Market capitalisation as of 30 June	€ billion	–	–	–	4.6	5.4	−15.5
Enterprise value as of 30 June	€ billion	–	–	–	5.7	6.2	−8.6

[1] 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 as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollar (Legacy Project). Related effects on deferred and cash taxes are also eliminated; tax rate for Q2/14: 28.6 % (Q2/13: 28.5 %).
[2] Capital expenditure in or depreciation on property, plant and equipment, intangible assets and investment properties as well as depreciation on financial assets.
[3] Without out-financing of pension obligations in the amount of €– 3.0 million in Q2/14 (Q2/13: €– 4.2 million); €– 3.4 million in H1/14 (H1/13: €– 10.0 million).
[4] Without purchases/disposals of securities and other financial investments in the amount of € +64.1 million net in Q2/14 (Q2/13: € +134.7 million); €– 500.7 million net in H1/14 (H1/13: +€ 63.1 million).
[5] Return on capital employed of the last twelve months as of 30 June.
[6] FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.

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

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1.1 GROUP STRUCTURE AND BUSINESS OPERATIONS

For a comprehensive description of our Group structure and business operations, including our products and services, please see the relevant passages in our Financial Report 2013 from page 45.

The section "Changes in the scope of consolidation" can be found in the Notes of this Half-yearly Financial Report on page 32. The Group structure and business operations described in the Financial Report 2013 remain unchanged.

1.2 CORPORATE STRATEGY AND ENTERPRISE MANAGEMENT

There were no changes in the strategy of the Company and its enterprise management in the second quarter. For a detailed description of the corporate strategy and enterprise management, please see the relevant passages in the Financial Report 2013 starting on page 54.

1.3 OVERVIEW OF THE COURSE OF BUSINESS

MACROECONOMIC ENVIRONMENT

The following discussion about the macroeconomic situation is based on the assessments of the KIEL INSTITUTE FOR THE WORLD ECONOMY and of the INTERNATIONAL MONETARY FUND.

The pace of global economic growth intensified slightly in the second quarter of 2014. The increase was primarily attributable to positive developments in the industrialised countries while rates of expansion in emerging market countries remained subdued.

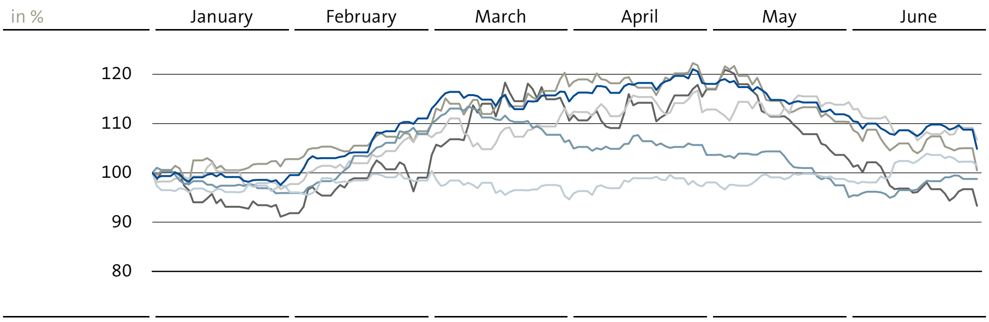
Economic development in the European Union was not uniform. While Germany's economy continued to strengthen significantly, Italy and France saw stagnation. In Europe as a whole, private consumer spending and the rate of investment failed to meet expectations. The unemployment rate remained on a comparatively high level. The crisis in Ukraine has not as yet tangibly affected economic activity.

The economy of the United States picked up following weather-related production losses in the winter period. During the spring months, the situation on the labour market eased again; at 6.3%, for the first time the unemployment was once again on a level as low as it was before the global banking and financial crisis. In addition, there were positive developments in private consumer spending, investments in private and commercial construction as well as exports.

The emerging market countries were affected by continued weak demand from the industrialised countries. In addition, uncertainty over growth prospects for important emerging market countries prompted further capital flight on the part of foreign investors, causing a worsening of financial framework conditions.

Monetary policy in the industrialised countries continued to be expansionary during the course of the second quarter of 2014. The EUROPEAN CENTRAL BANK (ECB) cut its key interest rate at the beginning of June to 0.15% at present. The FEDERAL RESERVE BANK (FED) left its key interest rate at 0% to 0.25%.

DEVELOPMENT OF PRICES FOR AGRICULTURAL PRODUCTS AND CRUDE OIL FIG: 1.3.1



Index: 31 December 2013

Wheat — Corn — Soybeans — Palm Oil — Crude Oil (Brent) — Dow Jones-UBS Agriculture Subindex

Source: Bloomberg

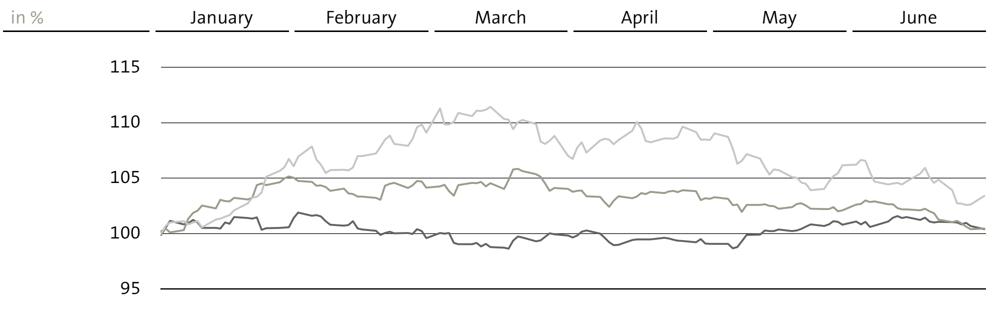
Agricultural commodity prices came under pressure in the second quarter. This was mainly due to favourable weather conditions in the northern hemisphere, which resulted in significantly higher harvest estimates for important agricultural commodities. Prices for wheat, corn and palm oil came under significant pressure in particular.

The DOW JONES-UBS AGRICULTURE SUBINDEX, which tracks futures prices for corn, soybeans, sugar, wheat, soya oil, cotton and coffee, fell by about 10% during the quarter under review.

The price of Brent crude oil rose slightly over the course of the quarter and was about US$ 112 per barrel at the end of June. The slight price increase was probably attributable to increased tensions in the Middle East; at US$ 110, the average price for the second quarter of 2014 was up moderately on the figure of a year ago (Q2/13: US$ 103).

The US dollar remained more or less stable against the euro over the course of the quarter under review and as of 30 June, the exchange rate was 1.37 EUR/USD. In terms of the average for the quarter, the US dollar was, at 1.37 EUR/USD, weaker than in the same quarter of the previous year (Q2/13: 1.31 EUR/USD).

DEVELOPMENT OF CURRENCIES FIG: 1.3.2



Index: 31 December 2013

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

Source: Bloomberg

IMPACT ON K+S

The changes in the macroeconomic environment had the following main effects on the course of business for K+S in the second quarter:

+ The energy costs of the K+S GROUP are particularly affected by the costs of obtaining gas. Since a part of the gas procurement is correlated with the price of crude oil, this has effects on our cost accounting. Nevertheless, our diversified purchasing strategy allows for a high degree of flexibility with regard to our supply source. Overall, this enabled us to cut our energy costs further.
+ In addition to the EUR/USD currency relationship, a relative comparison of the currencies of our competitors (Canadian dollar, Russian rouble) in relation to the US dollar in each case is of importance for us. A strong US dollar normally 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 worldwide potash output lies outside the US dollar zone while almost all sales, with the exception of those in Europe, are invoiced in US dollars. Figure 1.3.2 shows that the fluctuations of the US dollar against the Euro were comparatively modest. The currencies of the competitors from Russia and Canada rose slightly over the course of the quarter against the US dollar.
+ Foreign currency hedging system: As a result of the hedging instruments used for the Potash and Magnesium Products business unit, the exchange rate in the second quarter was on average 1.33 EUR/USD incl. hedging costs (Q2/13: 1.28 EUR/USD) and thus more favourable than the average spot rate (1.37 EUR/USD).
+ Insofar as it continues, the pressure on agricultural commodity prices can be expected to result in a worsening of income for farmers, prompting them to implement cost-saving measures. Overall, expenditure on fertilizers accounts for about 30% of the total costs of an agricultural enterprise, with expenditure on potash products accounting for just 2-4%. Thus, the current decline in price can be expected to have no more than a slight impact on potash demand.

/ **FURTHER DETAILS REGARDING THE FOREIGN CURRENCY HEDGING SYSTEM** can be found in the Financial Report on page 82.

INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

The conditions in important sales regions and the competitive positions of the individual business units described in the "Group Structure and Business Operations" section of the Financial Report 2013 starting on page 45 remained almost unchanged.

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

During the second quarter, prices for standard potash fertilizers continued to stabilise, even though if the level was significantly lower than a year ago. Especially in the regions of Europe and South America, which are important for K+S, demand remained high while availability was limited to some extent. As a result, some competitors announced further price increases.

The fertilizer specialties business was very positive in the second quarter of 2014 too. As a result of production difficulties on the part of our competitors, there was a demand overhang in the case of potassium sulphate (SOP) in particular.

SALT BUSINESS UNIT

The mild winter in Europe caused demand for de-icing salt in the first half of the year to be significantly lower there than in the same period a year ago. Stocks held by suppliers as well as customers were comparatively high. In the de-icing salt regions of the United States and in Canada, pronounced wintry weather at the start of the year caused demand to rise significantly and this was felt tangibly into the second quarter.

In the United States, demand for industrial salt in the pharmaceutical sector and for salt for chemical use in the chemical industry grew. The food grade salt segment was able to profit from higher demand in the premium sector. In Europe, salt for chemical use and industrial salt developed positively; in both segments, the sales volume was higher than a year ago.

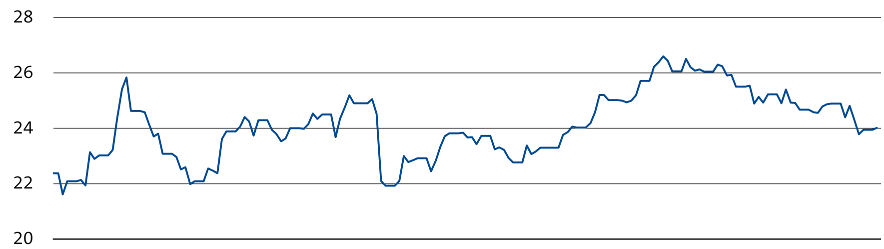
K+S ON THE CAPITAL MARKET

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

PERFORMANCE OF THE K+S SHARE PRICE IN THE SECOND QUARTER

+ The share tended sideways during the first weeks of the second quarter.
+ With the publication of better than expected quarterly figures for the first quarter in the middle of May, the share rose to about € 27. Very positive spring business in the Potash and Magnesium Products business unit as well as the strong de-icing salt business in the USA and in Canada gave a boost to the share. In the weeks that followed, profit taking triggered a moderate decrease once again.
+ On 30 June, the price of the K+S share closed at € 24.02. It was thus about 7% above the closing price of 2013. Over the same period, the DAX, MSCI WORLD and DJ STOXX EUROPE 600 indices rose by 3%, 5% and 4%, respectively.

DEVELOPMENT OF THE K+S SHARE / MONTHLY HIGHEST AND LOWEST PRICES FIG: 1.3.3



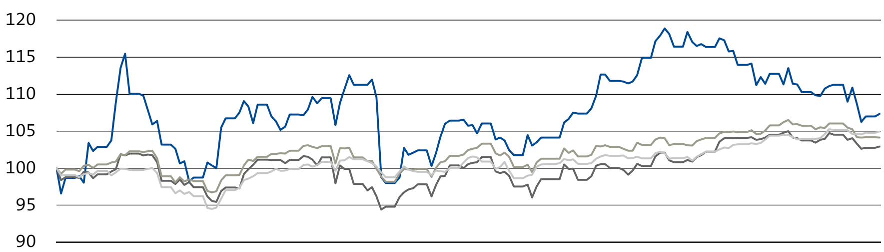
in %	January	February	March	April	May	June
Highest price	25.84	24.53	25.19	25.21	26.60	25.54
Lowest price	21.61	22.09	21.93	22.77	24.94	23.78

K+S

Source: Bloomberg

PERFORMANCE OF THE K+S SHARE IN RELATION TO DAX, DJ STOXX EUROPE 600 AND MSCI WORLD FIG: 1.3.4

in % | January | February | March | April | May | June



Index: 31. December 2013

K+S DAX DJ STOXX Europe 600 MSCI World

Source: Bloomberg

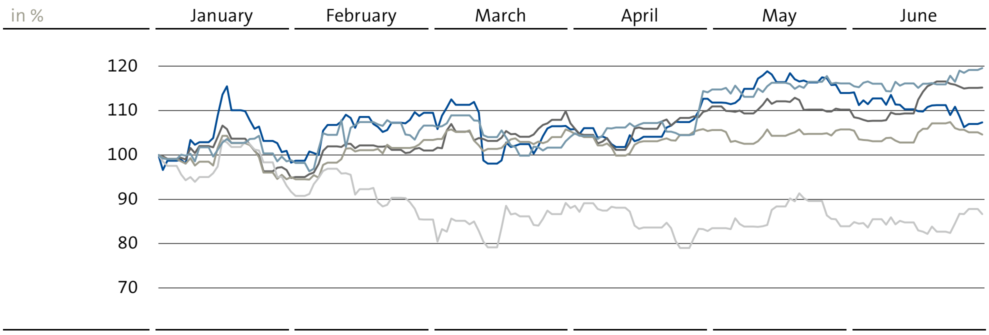
PERFORMANCE DATA TAB: 1.3.1

		Q2/14	Q2/13	%	H1/14	H1/13	%
Closing price as of 30 June	XETRA, €	–	–	–	24.02	28.41	−15.5
Highest price	XETRA, €	26.60	36.12	−26.4	26.60	37.53	−29.1
Lowest price	XETRA, €	22.77	28.19	−19.2	21.61	28.19	−23.3
Average price	XETRA, €	24.76	32.44	−23.7	24.14	33.57	−28.1
Performance year-to-date	%			–	+ 7.3	−18.8	–
Market capitalisation as of 30 June	€ billion	–	–	–	4.6	5.4	−15.5
Enterprise value as of 30 June	€ billion	–	–	–	5.7	6.2	−8.6

Source: Bloomberg

While the share prices of MOSAIC (+ 4.6%) and POTASHCORP (+ 15.2%) rose since the start of the year, the price of the URALKALI share fell by about 13%. The share price of salt producer COMPASS rose by about 20% during the period under review.

PERFORMANCE OF THE K+S SHARE IN RELATION TO PEERS FIG: 1.3.5



Index: 31. December 2013; calculation on the basis of local currencies

K+S PotashCorp Mosaic Uralkali Compass

Source: Bloomberg

According to Bloomberg, 9 banks currently give us a "buy/accumulate" recommendation, 14 a "hold/neutral" recommendation and 14 a "reduce/sell" recommendation. The average target share price was € 24.46.

SHAREHOLDER STRUCTURE

On 30 June 2014, our shareholder structure was as follows:

+ MERITUS TRUST COMPANY LIMITED via EUROCHEM GROUP SE: 9.88% (as announced on 12 July 2011). The status last known to us is 7.05%. This reduction did not trigger a reporting requirement.
+ BLACKROCK: 5.08% (notifications of 11 May 2012)
+ CAPITAL GROUP: 3.11% (notification of 28 May 2014)

Under the free float definition applied by DEUTSCHE BÖRSE AG, the free float is about 92.95%.

K+S BONDS

As a result of the continued high provision of liquidity by the ECB and the other major central banks, the bond prices of obligors with good credit ratings remained on a high level on the capital market while yields were comparatively low.

BOND PRICES AND YIELDS TAB: 1.3.2

in %	30.6.2014 Price	30.6.2014 Yield
K+S bond (September 2014)	101.1	0.2
K+S bond (December 2018)	106.2	1.7
K+S bond (December 2021)	112.2	2.3
K+S bond (June 2022)	102.8	2.6

Source: Bloomberg

RELATED PARTIES

For a detailed description of significant transactions with related parties, please see the relevant passages in the Notes on page 35.

1.4 EARNINGS, FINANCIAL AND ASSET POSITION

DEVELOPMENT OF ORDERS

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

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

In the Salt business unit, de-icing salt contracts for the public sector in Europe, Canada and the United States are issued in the form of public tenders. We generally participate in these in the second quarter for the upcoming winter season, but also, in part, for following winter seasons. The contracts include both price and maximum volume agreements. Insofar as the actual volumes are subject to fluctuations permitted by law depending on weather conditions, they cannot be classified as backlog of orders as such. This also applies in the event that volumes can be shifted to the following winter in the event 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.

EARNINGS POSITION

VARIANCE ANALYSIS TAB: 1.4.1

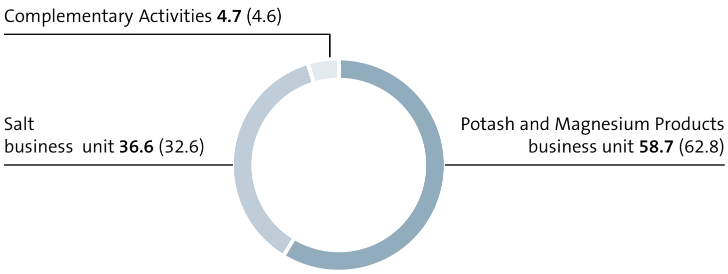
in %, yoy	Q2/14	H1/14
Change in revenues	**−10.2**	**−8.4**
- volume/structure	+ 0.3	+ 2.2
- prices/price-related	−7.6	−7.5
- exchange rates	−2.9	−2.9
- consolidation	–	–

Detailed information on average prices and sales volumes can be found in tables 1.5.3 and 1.5.6.

REVENUES DECLINE IN THE FIRST HALF YEAR

The revenues of the K+S GROUP in the first half of 2014 amounted to € 1,974.7 million (H1/13: € 2,154.8 million), which corresponds to a decrease of 8.4%. Higher sales volumes in the Salt business unit resulting from the severe winter in North America could partially offset the price decline in the Potash and Magnesium Products business unit. Compared with the previous year, the second quarter was particularly marked by continued low prices for potassium chloride. In the Salt business unit, revenues were on the level of a year ago.

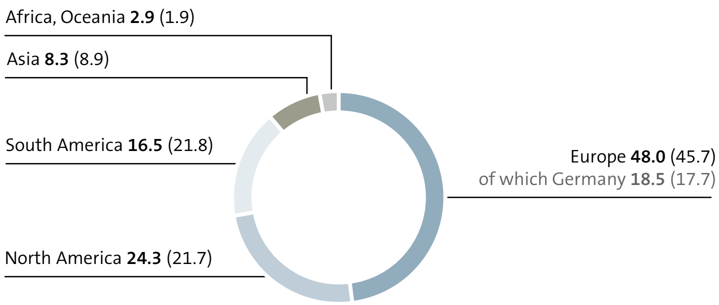
REVENUES BY UNIT APRIL – JUNE 2014 (IN %) FIG: 1.4.1



Previous year's figures in brackets

In the quarter under review, just under 59% of revenues were generated by the Potash and Magnesium Products business unit, followed by Salt with a good 36% and Complementary Activities (5%). In Europe, we generated a revenue share of 48%, followed by North America (24%), South America (17%) and Asia (8%).

REVENUES BY REGION APRIL – JUNE 2014 (IN %) FIG: 1.4.2



Previous year's figures in brackets

OPERATING EARNINGS EBIT I AT € 376.9 MILLION

For the first half of 2014, the K+S GROUP achieved operating earnings of € 376.9 million, which corresponds to a decrease of about 14% on the same period a year ago (H1/13: € 440.5 million). At € 126.4 million, depreciation and amortisation to be taken into account in the first six months were almost 3% above the figure for the same period a year ago (H1/13: € 122.8 million) as a result of increased capital expenditure (mainly for the package of measures for water protection).

In the quarter under review, operating earnings EBIT I were favourably impacted by a special item relating to an anticipated insurance payment due to the suspension of operations at the Unterbreizbach site. A reimbursement claim of about € 30 million was recognised on the basis of an initial, cautious estimate. Overall, at € 157.3 million, operating earnings EBIT I were slightly down on the high figure for the previous year's quarter (Q2/13: € 162.6 million). The trend towards stabilisation in the case of potassium chloride prices continued, and, in addition, demand was good in our core regions. Nevertheless, the lower price level overall compared with the same period a year ago resulted in lower earnings for the Potash and Magnesium Products business unit. EBIT I for the Salt business unit was higher than a year ago, when it was adversely affected by one-time effects. Moreover, cost savings from the "Fit for the Future" programme had a positive impact.

The result from operating forecast hedges included in EBIT I corresponds – due to the elimination of all fluctuations in the market value during the term – to the value of the hedges at the time of realisation (difference between the spot rate and hedged rate), in the case of option transactions less the premiums paid or plus the premiums received. The changes in the market value of the operating forecast hedges still outstanding are, however, only taken into consideration in the result after operating hedges (EBIT II).

RESULT AFTER OPERATING HEDGES (EBIT II)

Earnings after operating hedges EBIT II of € 387.7 million were generated in the first six months of 2014, having been € 431.2 million a year ago. The earnings effects from operating forecast hedges included in this figure amounted to € +10.8 million (H1/13: € –9.3 million). At € 192.4 million, EBIT II for the quarter under review was up € 35.3 million or 22.5% on the figure of a year ago (Q2/13: € 157.1 million), which was adversely affected in the amount of € –5.5 million by the effects of operating forecast hedges. In the second quarter of 2014, these had a positive impact of € +35.1 million.

Under IFRS, changes in the market value from hedging transactions have to be 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. The earnings effects of the hedging of underlying transactions connected with financing activities which are not reflected in EBIT are shown in the financial result.

"FIT FOR THE FUTURE" YIELDS EFFECTS

The aim of the programme to improve cost and organisational structures initiated in November 2013 is to increase the efficiency of production as well as of the administrative and sales functions. K+S is striving to save a total of some € 500 million over the next three years in comparison with the previous cost planning for the same period. Half of a good € 150 million savings sought for 2014 have already been achieved. Cost savings could be realised in the case of material costs and maintenance in particular.

FINANCIAL RESULT

/ **FURTHER DETAILS REGARDING THE FINANCIAL RESULT** can be found in the Notes on page 33.

The financial result for the first half of the year amounted to € –75.7 million, compared with € –35.4 million a year ago. In the second quarter, it amounted to € –48.3 million (Q2/13: € –17.5 million). The decrease in the quarter under review mainly results from higher interest expenses due to the bonds issued in December 2013 being taken into account in full for the first time (€ –9.1 million). Additionally, a lower market interest rate level led to an adjustment of the discount rates for provisions for mining obligations (€ –22.2 million). Interest expenses for other non-current provisions, mainly provisions for mining obligations (Q2/14: € –29.5 million), as well as interest expenses for pension provisions (Q2/14: € –1.1 million) are both non-cash.

GROUP EARNINGS AND EARNINGS PER SHARE

Group earnings after taxes and minority interests for the half year under review amounted to € 230.3 million (H1/13: € 289.5 million). The tax expense for this period was € 81.5 million, including a deferred, i.e. non-cash, tax expense of € 0.6 million (income tax expense H1/13: € 106.1 million, of which € 24.7 million was deferred tax income). In terms of earnings per share, this represents in comparison to the previous year a decrease of € 0.31 to € 1.20 (H1/13: € 1.51). This was computed on the basis of 191.4 million no-par value shares, being the average number of shares outstanding.

Group earnings after taxes and minority interests for the second quarter reached € 106.2 million (Q2/13: € 102.0 million); the tax expense was € 37.7 million (of which € 9.3 million was deferred tax income) compared with € 37.6 million a year ago (of which € 16.1 million was deferred tax income). In terms of earnings per share, this gives a value of € 0.55, which is slightly above the figure for a year ago (Q2/13: € 0.53).

ADJUSTED GROUP EARNINGS AND ADJUSTED EARNINGS PER SHARE

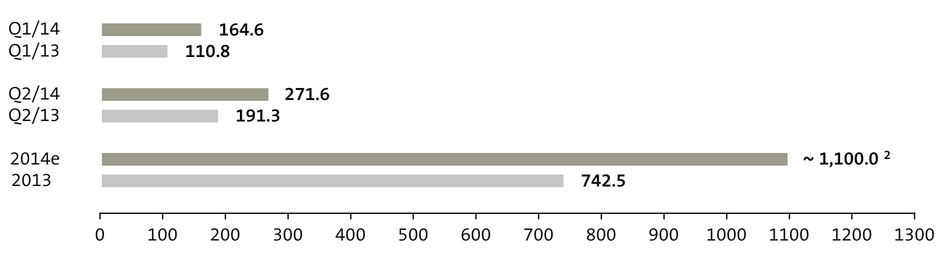
Adjusted Group earnings after taxes for the period under review came to € 222.6 million (H1/13: € 296.1 million); this corresponds to a decrease of € 73.5 million or 24.8%. Adjusted earnings per share for the same period reached € 1.16 after having been € 1.55 in the same period last year. This was computed on the basis of 191.4 million no-par value shares, being the average number of shares outstanding. In the second quarter, adjusted Group earnings after taxes amounted to € 81.1 million (Q2/13: € 105.9 million), giving a figure of € 0.42 per share compared with € 0.56 for the same quarter a year ago.

FINANCIAL POSITION

SECOND QUARTER CAPITAL EXPENDITURE UP STRONGLY AS PLANNED

In the second quarter of 2014, the capital expenditure incurred by the K+S GROUP came to € 271.6 million and was therefore about 40% higher than in the same quarter of a year ago (Q2/13: € 191.3 million). The majority of the capital expenditure was accounted for by the Potash and Magnesium Products business unit. It was mainly accounted for by infrastructure, foundation and steelwork, as well as drilling and engineering connected with the Legacy Project in Canada. A further focus was on the implementation of the package of measures on water protection in the Hesse-Thuringia potash district. The volume of capital expenditure in the Salt business unit remained almost unchanged, with the optimisation of the mining process at the rock salt site in Fairport, USA, the preparations for an expansion of the brine field at Frisia Zout in Harlingen, the Netherlands, and the improvement of warehouse logistics at the Borth salt mine in North Rhine-Westphalia being among the most significant projects in the quarter under review.

CAPITAL EXPENDITURE [1] (IN € MILLION) FIG: 1.4.3



[1] Capital expenditure in property, plant and equipment, intangible and financial assets of the continued operations.
[2] Further information regarding future capital expenditures can be found on page 23.

CASH FLOW FROM OPERATING ACTIVITIES DECLINES MODERATELY

CASH FLOW OVERVIEW TAB: 1.4.2

in € million	H1/14	H1/13
Cash flow from operating activities	516.4	544.1
Cash flow for investing activities	−863.3	−210.5
Free cash flow	**−346.9**	**333.6**
Cash flow from operating activities without out-financing of pension obligations [1]	519.8	554.1
Cash flow for investing activities without investments in/sales of securities and other financial investments [2]	−362.6	−273.6
Adjusted free cash flow [1, 2]	**157.2**	**280.5**

[1] H1/14: € – 3.4 million, H1/13: € – 10.0 million.
[2] H1/14: € – 500.7 million, H1/13: € +63.1 million.

Cash flow from operating activities (excluding out-financing of pension obligations) fell by € 34.3 million or about 6% to € 519.8 million compared with a year ago. The decrease is largely due to lower operating earnings as a result of declining prices for potassium chloride.

Cash flow for investing activities (excluding purchases/sales of securities and other financial investments) in the first six months amounted to € –362.6 million (H1/13: € –273.6 million) due to planned higher capital expenditure, especially for the Legacy Project. Consequently, adjusted free cash flow fell to € 157.2 million (H1/13: € 280.5 million).

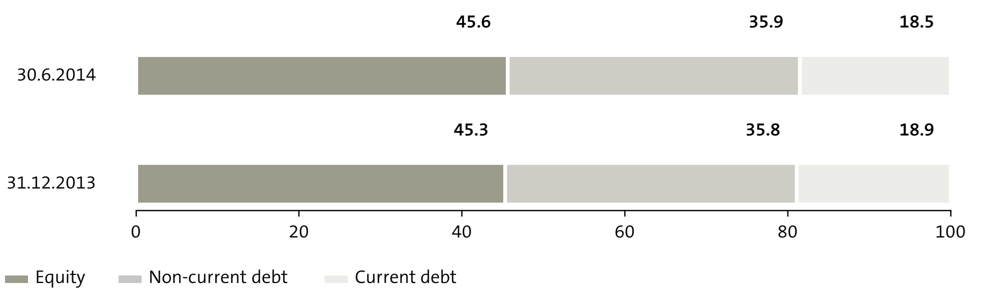
In the first half of the year, the cash flow from/for financing activities amounted to € –61.4 million as a result of a lower dividend payment, compared with € –270.4 million for the same period a year ago. As of 30 June 2014, net cash and cash equivalents amounted to € 596.8 million (30 June 2013: € 405.6 million; 31 December 2013: € 1,005.0 million). These concerned cash investments, mainly relating to time deposits, money market instruments as well as comparable securities with a residual term of less than three months.

SOLID FINANCING STRUCTURE

/ **FURTHER DETAILS CONCERNING THE MAIN CHANGES IN INDIVIDUAL BALANCE SHEET ITEMS** can be found in the Notes on page 34.

The financing structure of the K+S GROUP remains solid – as displayed below:

EQUITY AND LIABILITIES (IN %) FIG: 1.4.4



As of 30 June 2014, the K+S GROUP's debt consisted chiefly of financial liabilities (53%), provisions (34%) and trade payables (5%). As of 30 June 2014, financial liabilities amounted to € 2,244.3 million; of this, only € 734.9 million had to be classified as current. The main provisions of the K+S GROUP as of 30 June 2014 were provisions for mining obligations of € 860.8 million (up € 116.9 million compared with 31 December 2013) as well as for pensions and similar obligations of € 153.2 million (up € 50.6 million).

OFF-BALANCE SHEET FINANCING INSTRUMENTS/OFF-BALANCE SHEET ASSETS

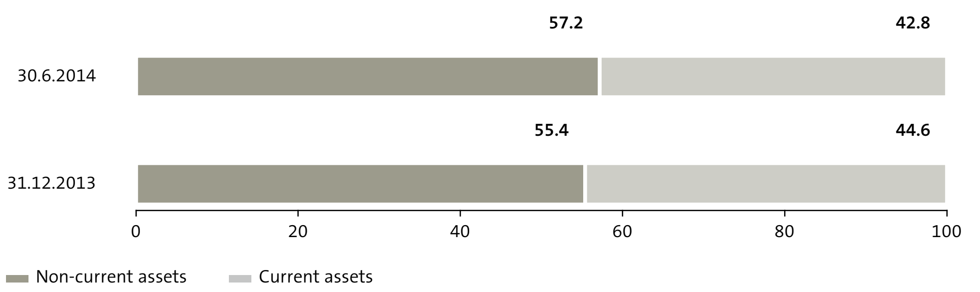
We primarily use operating leases, for example for vehicles, storage capacity and IT accessories. Due to the chosen contractual structures, these items are not to be carried under fixed assets.

ASSET POSITION

As of 30 June 2014, the balance sheet total of the K+S GROUP amounted to € 7,835.0 million (31 December 2013: € 7,498.2 million). The ratio of non-current to current assets remained stable. Cash and cash equivalents, current and non-current securities and other financial investments totalled € 2,142.0 million, which corresponds to an increase of about 5% since the start of the year (31 December 2013: € 2,046.8 million).

Including cash and cash equivalents (€ 602.8 million), non-current and current securities and other financial investments (€ 1,539.2 million), provisions for mining obligations and pensions (€ 860.8 million and € 153.2 million, respectively) and financial liabilities (€ 2,244.3 million), and after taking into account claims for reimbursement in connection with a bond at Morton Salt (€ 18.1 million), this results in net debt for the K+S GROUP of € 1,098.2 million as of the reporting date (31 December 2013: € 1,037.0 million).

ASSETS (IN %) FIG: 1.4.5



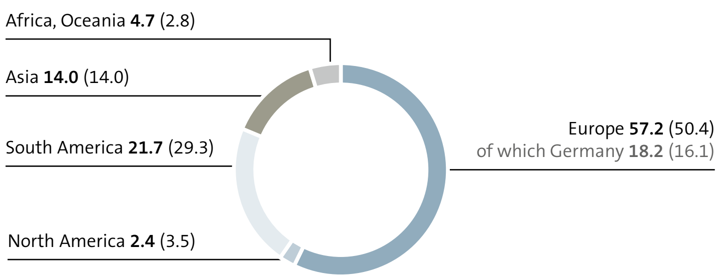
1.5 SEGMENTS OF THE K+S GROUP

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT TAB: 1.5.1

in € million	Q2/14	Q2/13	%	H1/14	H1/13	%
Revenues	461.1	548.3	−15.9	968.5	1,173.8	−17.5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	196.4	209.8	−6.4	361.9	445.8	−18.8
Operating earnings (EBIT I)	159.2	182.0	−12.5	293.6	391.2	−24.9
Capital expenditure	251.3	173.2	+ 45.1	404.9	258.5	+ 56.6
Employees as of 30 June (number)	–	–	–	8,256	8,258	–

REVENUES BY REGION APRIL – JUNE 2014 (IN %) ABB: 1.5.1



Previous year's figures in brackets

/ A DESCRIPTION OF THE MARKET ENVIRONMENT IN THE POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT can be found on page 5 in the "Industry-specific framework conditions" section.

REVENUES

At € 968.5 million, the 2014 half-year revenues for the Potash and Magnesium Products business unit were down significantly on the figure of a year ago (H1/13: € 1,173.8 million). The principal cause of the revenue decrease was the significantly lower price level on the global potash markets compared with a year ago. Additionally, exchange rate effects in the overseas business had a negative impact on the development of revenues. Sales volumes for potash and magnesium products in the first half of the year decreased by 3.8% to 3.66 million tonnes compared with the above-average figure of a year ago (H1/13: 3.80 million tonnes); the adverse effects on the output of the Unterbreizbach site weighed on the first months of 2014.

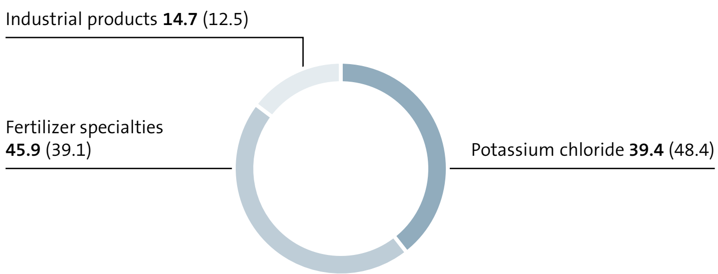
VARIANCE ANALYSIS TAB: 1.5.2

in %, yoy	Q2/14	H1/14
Change in revenues	**−15.9**	**−17.5**
- volume/structure	−2.4	−3.3
- prices/price-related	−11.1	−12.3
- exchange rates	−2.4	−1.9
- consolidation	–	–
Potassium chloride	−31.5	−33.6
Fertilizer specialties	−1.2	+ 1.7
Industrial products	−1.6	−10.5

Price stabilisation continued in the second quarter of 2014 with demand remaining exceptionally high. Overall, mainly due to price factors, revenues for the quarter under review nevertheless was down significantly on the figure of a year ago at € 461.1 million (Q2/13: € 548.3 million). Our home region of Europe remained robust; measured against total revenues, it generated 57% of revenues in the second quarter.

For the standard product potassium chloride, revenues for the quarter under review fell by € 83.7 million or 31.5% to € 181.5 million, which was mainly due to the decline in prices compared with a year ago as well as lower sales volumes. In the second quarter, fertilizer specialties were again exceptionally strong, higher volumes could more or less offset the lower price level and negative exchange rate effects. Revenues amounted to € 211.8 million, compared with € 214.3 million in Q2/13. In the case of industrial products, revenues were on about the level of a year ago at € 67.8 million (Q2/13: € 68.8 million). Here, sales volumes for the quarter under review were up significantly; this was attributable to increased demand in the industrialised countries due to economic factors. Thus, negative price effects could be offset.

REVENUES BY PRODUCT GROUP APRIL – JUNE 2014 (IN %) FIG: 1.5.2



Previous year's figures in brackets

Sales volumes for the second quarter were 1.72 million tonnes, compared with 1.77 million tonnes a year ago. While overseas volumes declined significantly, more goods could be sold in Europe.

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY REGION [1] TAB: 1.5.3

		Q1/13	Q2/13	H1/13	Q3/13	Q4/13	2013	Q1/14	Q2/14	H1/14
Revenues	**€ million**	**625.5**	**548.3**	**1,173.8**	**456.7**	**407.1**	**2,037.6**	**507.4**	**461.1**	**968.5**
Europe	€ million	354.4	276.3	630.7	233.1	250.1	1,113.9	347.5	263.6	611.1
Overseas	US$ million	358.0	355.3	713.3	296.5	216.9	1,226.7	219.0	270.8	489.8
Sales volumes	**t eff. million**	**2.03**	**1.77**	**3.80**	**1.63**	**1.51**	**6.94**	**1.94**	**1.72**	**3.66**
Europe	t eff. million	1.11	0.89	2.00	0.77	0.88	3.65	1.27	0.92	2.19
Overseas	t eff. million	0.92	0.88	1.80	0.86	0.63	3.29	0.67	0.80	1.47
Average prices	**€/t eff.**	**308.0**	**309.4**	**308.6**	**280.4**	**270.7**	**293.8**	**261.8**	**268.1**	**264.7**
Europe	€/t eff.	318.8	311.7	315.7	301.3	284.8	305.2	273.3	285.8	278.6
Overseas	US$/t eff.	389.5	401.0	395.2	346.3	346.8	373.3	328.5	339.3	334.4

[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.

DEVELOPMENT OF EARNINGS

The operating earnings EBIT I of the Potash and Magnesium Products business unit for the first half of the year amounted to € 293.6 million (H1/13: € 391.2 million); this figure includes depreciation and amortisation of € 68.3 million (H1/13: € 54.6 million). The decrease in earnings compared with the same period a year ago especially resulted from the lower price level for potassium chloride as well as slightly decreasing sales volumes; the positive cost-saving effects from the "Fit for the Future" programme were cancelled out. A special item relating to an anticipated insurance payment due to the suspension of operations at the Unterbreizbach site impacted favourably on operating earnings EBIT I in the second quarter. On the basis of an initial, cautious estimate, a reimbursement claim of about € 30 million was taken into account. At € 159.2 million, EBIT I in the quarter under review was down tangibly on the figure of a year ago (Q2/13: € 182.0 million).

LEGACY PROJECT PROCEEDING ACCORDING TO SCHEDULE

Our "Legacy" greenfield project in the Canadian province of Saskatchewan made good progress also in the second quarter. In the middle of April, a long-term exclusive contract was signed with Pacific Coast Terminals Co. Ltd. (PCT) for the construction and operation of a new cargo terminal and storage facility in the port of Vancouver (Canada). This will make it possible to transport our potash products from the Legacy site to customers all over the world. In addition, a camp was opened to provide food and accommodation to site employees.

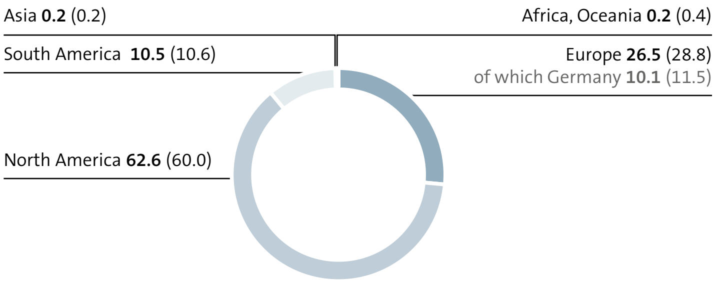
SALT BUSINESS UNIT

/ **A DESCRIPTION OF THE MARKET ENVIRONMENT IN THE SALT BUSINESS UNIT** can be found on page 5 in the "Industry-specific framework conditions" section.

SALT BUSINESS UNIT TAB: 1.5.4

in € million	Q2/14	Q2/13	%	H1/14	H1/13	%
Revenues	287.2	285.2	+ 0.7	928.2	899.7	+ 3.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	26.4	18.6	+ 41.9	140.1	118.8	+ 17.9
Operating earnings (EBIT I)	1.7	−13.5	–	90.8	59.6	+ 52.3
Capital expenditure	15.8	15.8	–	23.2	26.7	−13.1
Employees as of 30 June (number)	–	–	–	5,053	5,028	+ 0.5

REVENUES BY REGION APRIL – JUNE 2014 (IN %) FIG: 1.5.3



Previous year's figures in brackets

REVENUES

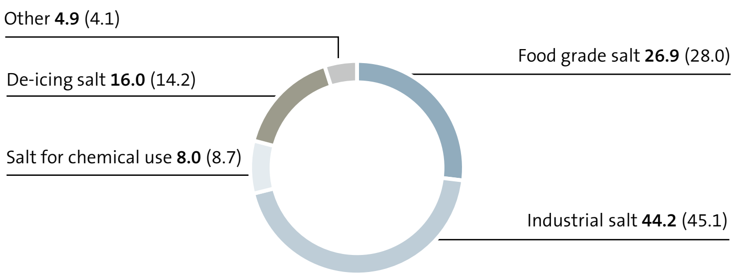
Total revenues of the Salt business unit for the first half of the year rose by € 28.5 million to € 928.2 million (H1/13: € 899.7 million); this corresponds to an increase of 3.2%. North America in particular experienced volume-related increases as a result of above-average wintry weather in the first quarter. On the other hand, revenues were adversely affected by the trend in the EUR/USD exchange rate. Overall, it was possible to more than offset a weather-related revenue decrease in Europe. Thus, our presence on three continents has paid off once again. The crystallised salt sales volume for the first six months rose by 14.8% to 13.63 million tonnes (H1/13: 11.87 million tonnes) against the background of an above-average sales volume for de-icing salt in North America.

VARIANCE ANALYSIS TAB: 1.5.5

in %, yoy	Q2/14	H1/14
Change in revenues	**+ 0.7**	**+ 3.2**
- volume/structure	+ 6.8	+ 9.9
- prices/price-related	−1.7	−2.2
- exchange rates	−4.4	−4.5
- consolidation	–	–
Food grade salt	−3.1	−2.0
Industrial salt	−1.2	−0.7
Salt for chemical use	−7.3	−12.9
De-icing salt	+ 13.9	+ 10.7
Other	+ 19.7	−7.9

In the second quarter, revenues remained more or less constant at € 287.2 million (Q2/13: € 285.2 million). While revenues for de-icing salts in the quarter under review increased by 13.9% to € 46.0 million (Q2/13: € 40.4 million) as a result of volume factors, in particular negative price and currency effects for industrial salt, salt for chemical use and food grade salt resulted in a slight decrease in revenues to € 227.3 million (Q2/13: € 233.2 million). In the case of Other, revenues totalled € 14.0 million (Q2/13: € 11.7 million).

REVENUES BY PRODUCT GROUP APRIL – JUNE 2014 (IN %) FIG: 1.5.4



Previous year's figures in brackets

Crystallised salt sales volumes for the second quarter were 3.20 million tonnes, compared with 2.96 million tonnes in the same period a year ago (+8.1 %).

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES [1] TAB: 1.5.6

		Q1/13	Q2/13	H1/13	Q3/13	Q4/13	2013	Q1/14	Q2/14	H1/14
De-icing salt										
Revenues	€ million	359.4	40.4	399.8	73.3	280.3	753.4	396.6	46.0	442.6
Sales volumes	t million	6.53	0.77	7.30	1.41	5.07	13.79	8.15	0.98	9.13
Average prices	€/t	55.1	52.1	54.7	51.9	55.2	54.6	48.7	47.1	48.5
Industrial salt, salt for chemical use and food grade salt										
Revenues	€ million	236.5	233.2	469.7	233.6	228.4	931.6	230.4	227.3	457.7
Sales volumes	t million	2.38	2.19	4.57	2.24	2.21	9.02	2.28	2.22	4.50
Average prices	€/t	99.5	106.5	102.8	104.4	103.2	103.3	100.9	102.4	101.7

[1] Revenues include prices both inclusive and exclusive 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.

DEVELOPMENT OF EARNINGS

Operating earnings EBIT I of the Salt business unit for the first half of 2014 rose to € 90.8 million compared with € 59.6 million a year ago (+ 52.3 %); this included depreciation and amortisation of € 49.3 million (H1/13: € 59.2 million). While earnings in Europe fell as a result of the warm winter, this could be more than offset by volume-related higher revenues in North America.

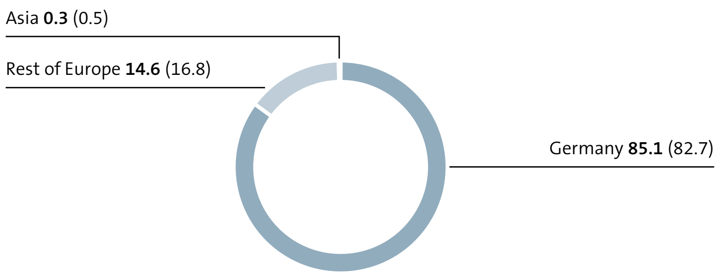
In the quarter under review, EBIT I amounted to € 1.7 million (Q2/13: € –13.5 million), with special items weighing on the previous year's figure. Savings connected with the "Fit for the Future" programme had a positive effect once again in contrast to the volume-related earnings decrease in Europe.

COMPLEMENTARY ACTIVITIES

COMPLEMENTARY ACTIVITIES TAB: 1.5.7

in € million	Q2/14	Q2/13	%	H1/14	H1/13	%
Revenues	36.9	40.4	–8.7	77.2	80.1	–3.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	7.4	8.0	–7.5	17.1	16.6	+ 3.0
Operating earnings (EBIT I)	5.6	6.2	–9.7	13.6	13.0	+ 4.6
Capital expenditure	0.7	0.5	+ 40.0	1.2	0.8	+ 50.0
Employees as of 30 June	–	–	–	292	293	–0.3

REVENUES BY REGION APRIL – JUNE 2014 (IN %) FIG: 1.5.5



Previous year's figures in brackets

REVENUES

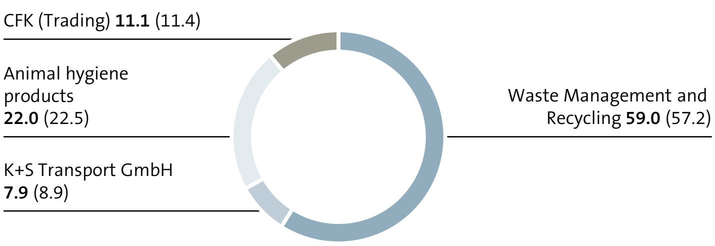
For the first half year, the Complementary Activities achieved revenues involving third parties of € 77.2 million (H1/13: € 80.1 million), while total revenues came to € 94.0 million (H1/13: € 98.5 million). In the second quarter, revenues generated by Complementary Activities involving third parties amounted to € 36.9 million (Q2/13: € 40.4 million). Including intersegment revenues, total revenues amounted to € 45.1 million, compared with € 49.0 million for the same quarter a year ago.

VARIANCE ANALYSIS TAB: 1.5.8

in %, yoy	Q2/14	H1/14
Change in revenues	**–8.7**	**–3.6**
- volume/structure	–8.4	–3.9
- prices/price-related	–0.3	+ 0.3
- exchange rates	–	–
- consolidation	–	–
Waste Management and Recycling	–5.6	–1.5
K+S Transport GmbH	–19.4	–17.3
Animal hygiene products	–11.0	–3.2
CFK (Trading)	–10.9	–4.6

In the quarter under review, revenues for the waste management and recycling segment fell by € 1.3 million to € 21.8 million. In the animal hygiene products segment, revenues fell, mainly as a result of volume factors, from € 9.1 million to € 8.1 million and those of the CFK trading business fell, as a result of volume factors, to € 4.1 million (Q2/13: € 4.6 million). As a result of lower volumes, the revenues generated by K+S TRANSPORT GMBH fell by € 0.7 million to € 2.9 million.

REVENUES BY SEGMENT APRIL – JUNE 2014 (IN %) FIG: 1.5.6



Previous year's figures in brackets

DEVELOPMENT OF EARNINGS

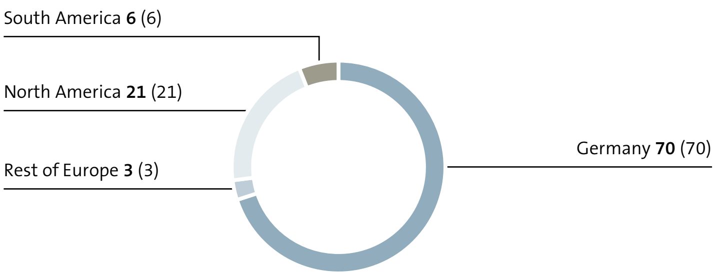
At € 13.6 million, operating earnings EBIT I for the first six months were up slightly (H1/13: € 13.0 million); this figure includes depreciation and amortisation of € 3.5 million (H1/13: € 3.6 million). Operating earnings EBIT I for the quarter under review reached € 5.6 million, compared with € 6.2 million a year ago. EBIT I included depreciation and amortisation of € 1.8 million (Q2/13: € 1.8 million). The decline in earnings was due to lower volumes in the animal hygiene products segment. The contributions to earnings of K+S TRANSPORT GMBH, CFK (trading) as well as waste management and recycling remained more or less stable compared with the same quarter a year ago.

1.6 EMPLOYEES

NUMBER OF EMPLOYEES STABLE

As of 30 June 2014, the K+S GROUP employed a total of 14,248 people (full-time equivalent). Compared with 30 June 2013 (14,255 employees), the number thus remained almost stable. The average number of people employed over the quarter was 14,281 (Q2/13: 14,285). As a result of the enhanced internationalisation of the K+S GROUP, just under a third of the employees are now located outside Germany and more than a quarter outside Europe. On 30 June 2014, the number of trainees in Germany was 497 and thus up moderately on the level of a year ago (30 June 2013: 460).

EMPLOYEES BY REGION AS OF 30 JUNE 2014 (IN %) FIG: 1.6.1



Previous year's figures in brackets

PERSONNEL EXPENSES

In the second quarter, personnel expenses amounted to € 243.3 million and therefore declined slightly compared with the figure for the same period a year ago (Q2/13: € 250.2 million). Higher personnel expenses arising from adjustments in collective labour agreements were partially offset by a lower deferral being set for performance-related remuneration and by lower personnel expenses arising from exchange rate factors. At € 482.7 million, personnel expenses for the first six months remained more or less stable (H1/13: € 490.0 million).

1.7 RESEARCH AND DEVELOPMENT

Research costs came to € 2.8 million for the quarter under review (Q2/13: € 3.3 million). Capitalised development-related capital expenditure amounted to about € 1.0 million in the second quarter (Q2/13: € 1.8 million). In the first six months, research costs decreased to € 5.8 million (H1/13: € 6.7 million) and capitalised development-related capital expenditure to € 1.6 million compared with a year ago (H1/13: € 2.2 million). Good progress is continuing to be made on the construction of our new analysis and research centre in Unterbreizbach where environmental and process analytics will be expanded and combined with the analytical and process technology research facilities of the K+S research institute in Heringen. As of 30 June 2014, 85 persons were employed in the R&D area of the K+S GROUP (30 June 2013: 85).

For a comprehensive description of the research and development activities, please see the relevant passages in our Financial Report 2013 on page 67; the goals and focuses described there continue to apply.

1.8 RISK REPORT

For a comprehensive presentation of the risk management system as well as possible risks, reference is made to the corresponding comments in our Financial Report 2013 starting on page 94. The risks described there remain largely unchanged as of 30 June 2014.

The risks to which the K+S GROUP is exposed, both in isolation or in interaction with other risks, are limited and do not, according to current estimates, jeopardise the continued existence of the Company.

1.9 OPPORTUNITY REPORT

For a comprehensive presentation of the opportunity management system and possible opportunities, please refer to the relevant passages in our Financial Report 2013 starting on page 109. The opportunities described there remain largely unchanged as of 30 June 2014.

There is no offsetting of opportunities and risks or their positive and negative changes.

1.10 SUBSEQUENT EVENTS

The K+S GROUP has experienced no significant changes in the economic environment or in the situation of its industry following the end of the quarter under review and no events of material importance require disclosure.

1.11 FORECAST REPORT

FUTURE MACROECONOMIC SITUATION

The following discussion about the future macroeconomic situation is based on the assessments of the KIEL INSTITUTE FOR THE WORLD ECONOMY (Kiel Discussion Papers: Weltkonjunktur im Sommer 2014, June 2014) and of the INTERNATIONAL MONETARY FUND (World Economic Outlook, April 2014).

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT TAB: 1.11.1

in %; real	2014e	2013	2012	2011	2010
Germany	+ 1.7	+ 0.5	+ 0.9	+ 3.4	+ 3.9
European Union (EU–28)	+ 1.6	0.0	−0.3	+ 1.7	+ 2.0
World	+ 3.6	+ 2.9	+ 3.2	+ 3.9	+ 5.2

Source: IMF

According to these assessments, the global economic growth should accelerate. Overall, for 2014, the INTERNATIONAL MONETARY FUND expects global GDP growth of 3.6%. Economic expansion should gradually strengthen over the course of the year in the developed economies in particular. Debt reduction in the private sector and the positive development of the labour market in the United States should stimulate private consumer spending and investing activities. Economic activity in the emerging market countries should remain muted as a result of low demand impulses from the industrialised countries. Increased tension in the Ukraine conflict and an extension of sanctions against Russia could have a tangible effect on the global economy.

FUTURE INDUSTRY SITUATION

The medium to long-term trends described in the Financial Report 2013 on pages 112-113, which positively influence the demand for K+S GROUP products retain their validity.

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

Global potash sales volumes were extremely strong in the first half of 2014. In the case of both the fertilizer specialties segment and granulated potassium chloride, there has been a demand overhang in many regions since the start of the spring season – a price stabilisation is clearly discernible. Prices nevertheless remain low overall compared with a year ago and offer good conditions for a continued positive development of demand. The price level for agricultural products significantly eased over the past few months, however, it continues to offer sufficient incentives for farmers to use mineral plant nutrients. Global demand for potash is expected to rise slightly for 2014 as a whole.

SALT BUSINESS UNIT

While the severe winter in North America resulted in a considerable reduction in stocks there and should therefore have a positive effect on demand for the year as a whole, the mild winter weather in Europe should result in muted demand. With its production sites in North and South America as well as in Europe, K+S is well prepared for the opportunities emerging in this market environment.

Regarding the de-icing salt business, we assume, as usual, multi-year average sales volumes for the remaining months of the year. There should be growth opportunities in the industrial salt segment as a result of rising demand for pharmaceutical salts in North America. In the food grade salt segment, slight sales volume increases are expected in the North American premium segment. Demand in both Europe and South America should largely remain stable in 2014. The salt business with the chemical industries in North America and Europe should increase slightly, while we expect the sales volume level in South America to remain stable.

FUTURE EARNINGS, FINANCIAL AND ASSET POSITION

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:

+ Global potash sales volumes of about 60 million tonnes (2013: about 59 million tonnes), including about 3 million tonnes of potassium sulphate (SOP) and potash grades with lower mineral content.
+ For 2014 as a whole, a tangible decline in average prices in the Potash and Magnesium Products business unit compared with the previous year (2013: € 293.8 per tonne), combined with the expectation that the general price level has bottomed out.
+ As a result of the consequences of the tragic accident at the Unterbreizbach site for the first quarter, it will not be possible to fully utilise the capacity theoretically available for the year as a whole. In the meantime, the plant is working at normal capacity again; nevertheless, the lower output of the first few months could continue to impact on delivery capabilities for some time. With this in mind, sales volumes in the Potash and Magnesium Products business unit should reach the previous year's level (2013: 6.9 million tonnes).
+ Crystallised salt sales volumes up slightly on the previous year’s level (2013: 22.8 million tonnes), with de-icing salt of a good 14 million tonnes (2013: 13.8 million tonnes).
+ An average exchange rate for the year of 1.37 EUR/USD (2013: 1.33 EUR/USD) as well as 1.48 EUR/CAD for the Canadian dollar (2013: 1.37 EUR/CAD).

EBIT I BENEFITS FROM SPECIAL ITEM

For financial year 2014, the revenues of the K+S GROUP should amount to between € 3.65 billion and € 3.85 billion (2013: € 3,950.4 million). Tangibly lower average prices year on year, in particular, are likely to result in decreasing revenues compared with the previous year for the Potash and Magnesium Products business unit. Solid sales volumes in the Salt business unit should not be expected to make up for this effect.

To make sustainable improvements to cost and organisational structures, K+S is implementing the “Fit for the Future” programme with the aim of increasing the efficiency of production as well as of the administrative and sales functions. The Company is striving to reduce costs by a good € 150 million in 2014 compared with the previous planning.

For the EBITDA of the K+S GROUP, we expect a range of € 770 million to € 850 million (2013: € 907.2 million) and anticipate an EBIT I of between € 490 million and € 570 million (2013: € 655.9 million). The decrease is mainly the result of tangibly lower average prices in the Potash and Magnesium Products business unit compared with the previous year. Both earnings include a special item relating to an anticipated insurance payment due to the suspension of operations at the Unterbreizbach site. On the basis of an initial, cautious estimate, a reimbursement claim of about € 30 million was taken into account.

In addition to the trend in operating earnings, adjusted Group earnings after taxes, compared with the previous year, will be influenced by higher interest expenses connected with the December 2013 bonds issue as well as an interest adjustment for provisions for mining obligations. For the year as a whole, we expect adjusted Group earnings after taxes of € 270 million to € 340 million (2013: € 434.8 million).

FUTURE CAPITAL EXPENDITURE INCREASES AS PLANNED BECAUSE OF LEGACY

The K+S GROUP's anticipated capital expenditure for 2014 amounts to about € 1.1 billion (2013: € 742.5 million). 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 on 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 clearly negative. The return on capital employed (ROCE) should also fall significantly (2013: 15.2%), due to EBIT I being significantly down on the previous year and a higher amount of capital tied up as a result of increasing capital expenditure.

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 should also be the case for the average number of employees (2013: 14,348). The anticipated increase in personnel in our foreign subsidiaries – mainly in connection with the Legacy Project – should be offset by a reduction in the number of employees in Germany.

FUTURE DIVIDEND POLICY

K+S pursues 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. Especially in the light of upcoming substantial capital expenditure, the dividend payment for financial year 2013 was only € 0.25 per share. The intention is to return to the previous dividend payout ratio as soon as possible.

DEVELOPMENT OF FORECASTS FOR THE FULL YEAR 2014 TAB: 1.11.2

		Actual 2013	Forecast Financial Report 2013	Forecast Q1/14	Forecast H1/14
K+S Group					
Revenues	€ billion	3.95	moderate decrease	moderate decrease	3.65 - 3.85
EBITDA	€ million	907.2	significantly below previous year's level	significantly below previous year's level	770 - 850
Operating earnings (EBIT I)	€ million	655.9	significantly below previous year's level	significantly below previous year's level	490 - 570
Group earnings after taxes, adjusted	€ million	434.8	significantly below previous year's level	significantly below previous year's level	270 - 340
Capital expenditure [1]	€ million	742.5	about 1,200	just below 1,200	about 1,100
Number of employees	FTE	14,421	stable	stable	stable
Potash and Magnesium Products business unit					
Sales volume	t million	6.94	on previous year's level	on previous year's level	on previous year's level
Salt business unit					
Sales volume crystallised salt	t million	22.8	on previous year's level	slightly above previous year's level	slightly above previous year's level
- of which de-icing salt	t million	13.8	about 14	about 14	a good 14

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

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 results may deviate from current expectations. The Company assumes no obligation to update the statements contained in the Management Report, save for the making of such disclosures as are required by the provisions of statute.

1.12 GUARANTEE OF THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

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

Kassel, 6 August 2014
K+S Aktiengesellschaft
The Board of Executive Directors

FINANCIAL SECTION

2

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2.1 INCOME STATEMENT

INCOME STATEMENT TAB: 2.1.1

in € million	Q2/14	Q2/13	H1/14	H1/13	LTM[1]/14	12M/13
Revenues	**785.7**	**874.5**	**1,974.7**	**2,154.8**	**3,770.3**	**3,950.4**
Cost of sales	436.4	465.1	1,105.0	1,180.5	2,170.3	2,245.8
Gross profit	**349.3**	**409.4**	**869.7**	**974.3**	**1,600.0**	**1,704.6**
Selling expenses	174.9	188.6	417.7	423.8	829.5	835.6
General and administrative expenses	45.1	50.3	90.2	100.7	181.2	191.7
Research and development costs	2.8	3.3	5.8	6.7	13.0	13.9
Other operating income	48.9	18.0	67.9	48.7	141.3	122.1
Other operating expenses	22.6	26.8	53.7	58.2	145.9	150.4
Income from investments, net	0.3	0.6	1.3	3.0	4.9	6.6
Result from operating forecast hedges	39.3	−1.9	16.2	−5.4	5.0	−16.6
Result after operating hedges (EBIT II)[2]	**192.4**	**157.1**	**387.7**	**431.2**	**581.6**	**625.1**
Interest income	7.2	5.7	13.6	11.6	26.0	24.0
Interest expenses	56.5	23.3	88.7	47.3	141.2	99.8
Other financial result	1.0	0.1	−0.6	0.3	−1.4	−0.5
Financial result	**−48.3**	**−17.5**	**−75.7**	**−35.4**	**−116.6**	**−76.3**
Earnings before income taxes	**144.1**	**139.6**	**312.0**	**395.8**	**465.0**	**548.8**
Taxes on income	37.7	37.6	81.5	106.1	108.6	133.2
– of which deferred taxes	−9.3	−16.1	0.6	−24.7	−35.8	−61.1
Earnings after taxes from continued operations	**106.4**	**102.0**	**230.5**	**289.7**	**356.4**	**415.6**
Earnings after taxes from discontinued operations	–	–	–	–	−2.3	−2.3
Net income	**106.4**	**102.0**	**230.5**	**289.7**	**354.1**	**413.3**
Minority interests in earnings	0.2	–	0.2	0.2	0.5	0.5
Group earnings after taxes and minority interests	**106.2**	**102.0**	**230.3**	**289.5**	**353.6**	**412.8**
– thereof continued operations	106.2	102.0	230.3	289.5	355.9	415.1
– thereof discontinued operations	–	–	–	–	−2.3	−2.3
Earnings per share in € (undiluted ≙ diluted)	**0.55**	**0.53**	**1.20**	**1.51**	**1.85**	**2.16**
– thereof continued operations	0.55	0.53	1.20	1.51	1.86	2.17
– thereof discontinued operations	–	–	–	–	−0.01	−0.01
Average number of shares in million	191.40	191.40	191.40	191.40	191.40	191.40
Operating earnings (EBIT I)[2]	**157.3**	**162.6**	**376.9**	**440.5**	**592.3**	**655.9**
Earnings before income taxes from continued operations, adjusted[3]	**109.0**	**145.1**	**301.2**	**405.1**	**475.7**	**579.6**
Group earnings from continued operations, adjusted[3]	**81.1**	**105.9**	**222.6**	**296.1**	**363.6**	**437.1**
Earnings per share from continued operations in €, adjusted[3]	**0.42**	**0.56**	**1.16**	**1.55**	**1.89**	**2.28**
Group earnings after taxes, adjusted[3,4]	**81.1**	**105.9**	**222.6**	**296.1**	**361.3**	**434.8**
Earnings per share in €, adjusted[3,4]	**0.42**	**0.56**	**1.16**	**1.55**	**1.88**	**2.27**

[1] LTM = last twelve months (Q3/13 + Q4/13 + Q1/14 + Q2/14).
[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 in table 2.1.3.
[3] 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 as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollar (Legacy Project). Related effects on deferred and cash taxes are also eliminated; tax rate for Q2/14: 28.6 % (Q2/13: 28.5 %).
[4] Earnings from continued and discontinued operations.

STATEMENT OF COMPREHENSIVE INCOME

TAB: 2.1.2

in € million	Q2/14	Q2/13	H1/14	H1/13	LTM[1]/14	12M/13
Net income	**106.4**	**102.0**	**230.5**	**289.7**	**354.1**	**413.3**
Items that may be reclassified subsequently to profit or loss	**74.1**	**−83.6**	**34.4**	**−23.5**	**−120.6**	**−178.5**
Financial assets available for sale	0.5	−0.4	1.0	–	–	−1.0
Difference resulting from foreign currency translation	73.6	−83.2	33.4	−23.5	−120.6	−177.5
Items that will not be reclassified to profit or loss	**−38.8**	**22.5**	**−37.1**	**28.2**	**−29.1**	**36.2**
Revaluation of net debt /defined benefit pension plan assets	−38.8	22.5	−37.1	28.2	−29.1	36.2
Other comprehensive income after taxes	**35.3**	**−61.1**	**−2.7**	**4.7**	**−149.7**	**−142.3**
Comprehensive income of the period	**141.7**	**40.9**	**227.8**	**294.4**	**204.4**	**271.0**
Minority interests in comprehensive income	**0.2**	**–**	**0.2**	**0.2**	**0.5**	**0.5**
Group comprehensive income after taxes and minority interests	**141.5**	**40.9**	**227.6**	**294.2**	**203.9**	**270.5**

OPERATING EARNINGS (EBIT I) [2]

TAB: 2.1.3

in € million	Q2/14	Q2/13	H1/14	H1/13	LTM[1]/14	12M/13
Result after operating hedges (EBIT II) [3]	**192.4**	**157.1**	**387.7**	**431.2**	**581.6**	**625.1**
Income (–) / expenses (+) from market value changes of operating forecast hedges still outstanding	−37.3	1.8	−19.3	4.5	−8.3	15.5
Neutralising of market value changes of realised operating forecast hedges, recognised in earlier periods	5.2	2.7	7.9	4.5	13.7	10.3
Realised income (–) / expenses (+) of currency hedging for capital expenditure in Canada	−3.0	1.0	0.6	0.3	5.3	5.0
Operating earnings (EBIT I) [3]	**157.3**	**162.6**	**376.9**	**440.5**	**592.3**	**655.9**

[1] LTM = last twelve months (Q3/13 + Q4/13 + Q1/14 + Q2/14).
[2] Information on operating earnings refers to continued operations.
[3] Management of the K+S Group is handled, amongst others, on the basis of operating earnings (EBIT I).

2.2 CASH FLOW STATEMENT

CASH FLOW STATEMENT TAB: 2.2.1

in € million	Q2/14	Q2/13	H1/14	H1/13	LTM[1]/14	12M/13
Result after operating hedges (EBIT II)	**192.4**	**157.1**	**387.7**	**431.2**	**581.6**	**625.1**
Income (–) / expenses (+) from market value changes of operating forecast hedges still outstanding	−37.3	1.8	−19.3	4.5	−8.3	15.5
Neutralisation of market value changes of realised operating forecast hedges, recognised in earlier periods	5.2	2.7	7.9	4.5	13.7	10.3
Realised income (–) /expenses (+) of currency hedging for capital expenditure in Canada	−3.0	1.0	0.6	0.3	5.3	5.0
Operating earnings (EBIT I)	**157.3**	**162.6**	**376.9**	**440.5**	**592.3**	**655.9**
Depreciation (+) / write-ups (–) on intangible assets, property, plant and equipment and financial assets	66.3	64.3	126.4	122.7	255.0	251.3
Increase(+) / decrease (–) in non-current provisions (without interest rate effects)	−17.6	−16.9	−23.0	−7.9	−22.4	−7.3
Interests and dividends received and similar income	7.3	8.1	12.8	14.1	24.1	25.4
Gains (+) / losses (–) from the realisation of financial assets / liabilities	4.7	−1.2	−0.2	1.3	−6.6	−5.1
Interest paid (–)	−15.4	−16.0	−17.1	−16.8	−63.7	−63.4
Income taxes paid (–)	−36.0	−63.9	−67.1	−136.6	−119.5	−189.0
Other non-cash expenses (+) / income (–)	0.3	0.7	0.7	−2.6	2.9	−0.4
Gross cash flow	**166.9**	**137.7**	**409.4**	**414.7**	**662.1**	**667.4**
Gain (–) / loss (+) on the disposal of fixed assets and securities	0.1	−0.4	−0.2	−2.1	9.4	7.5
Increase (–) / decrease (+) in inventories	−75.2	−64.3	79.8	89.0	107.5	116.7
Increase (–) / decrease (+) in receivables and other assets from operating activities	88.5	215.7	110.6	139.7	−15.6	13.5
Increase (+) / decrease (–) in liabilities from operating activities	−13.8	8.6	−68.0	−52.1	−30.2	−14.3
Increase (+) / decrease (–) in current provisions	−26.4	−63.0	−11.8	−35.1	4.1	−19.2
Out-financing of plan assets	−3.0	−4.2	−3.4	−10.0	−9.3	−15.9
Cash flow from operating activities	**137.1**	**230.1**	**516.4**	**544.1**	**728.0**	**755.7**
Proceeds from disposals of fixed assets	1.1	1.5	2.6	4.7	10.7	12.8
Disbursements for intangible assets	−1.6	−3.0	−4.6	−3.8	−11.6	−10.8
Disbursements for property, plant and equipment	−186.0	−164.4	−360.6	−274.4	−795.1	−708.9
Disbursements for financial assets	–	−0.1	–	−0.1	–	−0.1
Proceeds from the disposal of consolidated companies	–	–	–	–	–	–
Disbursements for the acquisition of consolidated companies	–	–	–	–	–	–
Proceeds from the disposal of securities and other financial investments	260.6	183.0	397.2	244.0	798.1	644.9
Disbursements for the purchase of securities and other financial investments	−196.5	−48.3	−897.9	−180.9	−1,464.2	−747.2
Cash flow for investing activities	**−122.4**	**−31.3**	**−863.3**	**−210.5**	**−1,462.1**	**−809.3**
Free cash flow	**14.7**	**198.8**	**−346.9**	**333.6**	**−734.1**	**−53.6**

To be continued on the next page.

CASH FLOW STATEMENT TAB: 2.2.1

in € million	Q2/14	Q2/13	H1/14	H1/13	LTM[1]/14	12M/13
Dividends paid	−47.9	−268.0	−47.9	−268.0		
Disbursements for the acquisition of non-controlling interests	–	–	–	–		
Payments from other allocations to equity	1.7	4.1	1.7	4.1		
Purchase of own shares	−2.1	−5.1	−2.1	−5.1		
Sale of own shares	–	–	–	–		
Increase (+) / decrease (–) in liabilities from finance leases	−0.2	−0.5	−0.4	−0.9		
Taking out (+) / repayment of (–) loans	0.1	−0.3	0.1	−0.5		
Incoming payments (+) / repayments (–) from the issuing of bonds	−1.6	–	−12.8	–		
Cash flow for financing activities	**−50.0**	**−269.8**	**−61.4**	**−270.4**		
	–	–	–	–		
Change in cash and cash equivalents affecting cash flow	**−35.3**	**−71.0**	**−408.3**	**63.2**		
Change in cash and cash equivalents resulting from exchange rates	5.2	−7.7	0.1	−3.3		
Change in cash and cash equivalents resulting from consolidation	–	–	–	0.7		
Change in cash and cash equivalents	**−30.1**	**−78.7**	**−408.2**	**60.6**		
	–	–	–	–		
Net cash and cash equivalents as of 1 January	**–**	**–**	**1,005.0**	**345.0**		
Net cash and cash equivalents as of 30 June	**–**	**–**	**596.8**	**405.6**		
– thereof cash on hand and balances with banks	–	–	602.8	411.9		
– thereof cash invested with affiliated companies	–	–	0.5	0.3		
– thereof account overdrafts	–	–	−0.4	–		
– thereof cash received from affiliated companies	–	–	−6.1	−6.6		
– thereof net cash and cash equivalents from discontinued operations	–	–	–	–		

[1] LTM = last twelve months (Q3/13 + Q4/13 + Q1/14 + Q2/14).

The notes to the cash flow statement can be found on page 12.

2.3 BALANCE SHEET

BALANCE SHEET – ASSETS TAB: 2.3.1

in € million	30.6.2014	30.6.2013	31.12.2013
Intangible assets	936.3	990.0	935.7
– of which goodwill from acquisitions	615.6	640.5	606.3
Property, plant and equipment	3,362.1	2,686.6	2,933.2
Investment properties	6.7	7.6	7.3
Financial assets	13.9	14.5	13.9
Receivables and other assets	63.3	46.2	54.0
– of which financial receivables and other assets	59.2	42.6	48.1
Securities and other financial investments	73.4	376.5	179.3
Deferred taxes	25.1	68.4	33.4
Reimbursement claims of income taxes	0.1	0.1	0.1
Non-current assets	**4,480.9**	**4,189.9**	**4,156.9**
Inventories	475.1	599.8	552.6
Accounts receivable – trade	570.6	612.8	737.9
Other receivables and assets	205.4	173.9	154.0
– of which financial receivables and assets	91.5	65.1	67.0
Reimbursement claims of income taxes	34.4	33.7	29.3
Securities and other financial investments	1,465.8	495.0	856.2
Cash on hand and balances with banks	602.8	411.9	1,011.3
Current assets	**3,354.1**	**2,327.1**	**3,341.3**
ASSETS	**7,835.0**	**6,517.0**	**7,498.2**

BALANCE SHEET – EQUITY AND LIABILITIES TAB: 2.3.2

in € million	30.6.2014	30.6.2013	31.12.2013
Subscribed capital	191.4	191.4	191.4
Additional paid-in capital	645.8	645.9	646.8
Other reserves and accumulated profit	2,733.7	2,577.3	2,554.3
Minority interests	4.3	3.8	4.1
Equity	**3,575.2**	**3,418.4**	**3,396.6**
Bank loans and overdrafts	1,509.4	1,265.5	1,509.0
Other liabilities	12.5	16.5	17.5
– of which financial liabilities	8.4	11.6	13.2
Provisions for pensions and similar obligations	153.2	113.9	102.6
Provisions for mining obligations	860.8	713.2	743.9
Other provisions	101.8	122.6	117.7
Deferred taxes	175.4	277.1	196.1
Non-current debt	**2,813.1**	**2,508.8**	**2,686.8**
Bank loans and overdrafts	734.9	0.9	746.2
Accounts payable – trade	211.1	216.0	271.5
Other liabilities	109.6	92.3	94.6
– of which financial liabilities	84.7	62.2	65.5
Income tax liabilities	69.2	42.3	49.1
Provisions	321.9	238.3	253.4
Liabilities directly associated with assets classified as held for sale	–	–	–
Current debt	**1,446.7**	**589.8**	**1,414.8**
EQUITY AND LIABILITIES	**7,835.0**	**6,517.0**	**7,498.2**

2.4 STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY TAB: 2.4.1

in € million	Subscribed capital	Additional paid-in capital	Accumulated profit/ revenue reserves	Differences from foreign currency translation	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 2014	191.4	646.8	2,606.0	−5.2	1.9	−48.4	3,392.5	4.1	3,396.6
Net income	–	–	230.3	–	–	–	230.3	0.2	230.5
Other comprehensive income (after taxes)	–	–	–	33.4	1.0	−37.1	−2.7	–	−2.7
Comprehensive income of the period	**–**	**–**	**230.3**	**33.4**	**1.0**	**−37.1**	**227.6**	**0.2**	**227.8**
Dividend for the previous year	–	–	−47.9	–	–	–	−47.9	–	−47.9
Issuance of shares to employees	–	−1.0	–	–	–	–	−1.0	–	−1.0
Other changes in equity	–	–	−0.3	–	–	–	−0.3	–	−0.3
Balances as of 30 June 2014	**191.4**	**645.8**	**2,788.1**	**28.2**	**2.9**	**−85.5**	**3,570.9**	**4.3**	**3,575.2**
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	–	–	289.5	–	–	–	289.5	0.2	289.7
Other comprehensive income (after taxes)	–	–	–	−23.5	–	28.2	4.7	–	4.7
Comprehensive income of the period	**–**	**–**	**289.5**	**−23.5**	**–**	**28.2**	**294.2**	**0.2**	**294.4**
Dividend for the previous year	–	–	−268.0	–	–	–	−268.0	–	−268.0
Issuance of shares to employees	–	−1.3	–	–	–	–	−1.3	–	−1.3
Other changes in equity	–	–	−0.6	–	–	–	−0.6	–	−0.6
Balances as of 30 June 2013	**191.4**	**645.9**	**2,482.0**	**148.8**	**2.9**	**−56.4**	**3,414.6**	**3.8**	**3,418.4**

2.5 NOTES

EXPLANATORY NOTES

The interim report of 30 June 2014 is prepared in accordance with the International Financial Reporting Standards (IFRS) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), insofar as those have been recognised by the European Union. The report is prepared as abridged financial statements with selected explanatory notes as stipulated by IAS 34.

Foreign 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.

CHANGES IN THE LEGAL GROUP AND ORGANISATIONAL STRUCTURE

Klaus Krüger, member of the Supervisory Board, retired as of 31 May 2014 and therefore resigned as a member of the Supervisory Board. In the second quarter, there were no other changes in the composition and responsibilities of the Board of Executive Directors and the Supervisory Board as described in the Financial Report 2013.

AUDITOR'S REVIEW

The interim financial statements and the interim Management Report were not reviewed by the auditor (Section 37w, Para. 5, Sent. 1 of the German Securities Trading Act).

CHANGES IN THE SCOPE OF CONSOLIDATION

No material changes occurred in the scope of consolidation in the second quarter of 2014.

SEASONAL FACTORS

There are seasonal differences over the course of the year that affect the sales volumes of fertilizers and salt products. In the case of fertilizers, we generally attain our highest sales volumes in the first half of the year because of the spring fertilization in Europe. Sales volumes of salt products – especially of de-icing salt – largely depend on the respective wintry weather during the first and fourth quarters. In the aggregate, both these effects mean that revenues and particularly earnings are generally strongest during the first half of the year.

IMPORTANT KEY FIGURES (LTM [1]) TAB: 2.5.1

in € million	LTM 2014[1]	2013
Revenues	3,770.3	3,950.4
EBITDA	847.2	907.2
EBIT I	592.3	655.9
Group earnings from continued operations, adjusted	363.6	437.1

[1] LTM = last twelve months (Q3/13 + Q4/13 + Q1/14 + Q2/14).

INFORMATION CONCERNING MATERIAL EVENTS SINCE THE END OF THE INTERIM REPORTING PERIOD

You will find such information in our Subsequent Events section on page 21.

OTHER OPERATING INCOME/EXPENSES

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

OTHER OPERATING INCOME/EXPENSES TAB: 2.5.2

in € million	Q2/14	Q2/13	H1/14	H1/13
Gains/losses on foreign exchange rates	0.6	−2.8	0.1	−1.5
Change in provisions	12.1	9.8	14.1	11.6
Other	13.6	−15.8	–	−19.6
Other operating income/expenses	**26.3**	**−8.8**	**14.2**	**−9.5**

The increase of other operating income resulted from a special item relating to an anticipated insurance payment due to the suspension of operations at the Unterbreizbach site. A reimbursement claim of about € 30 million was recognised on the basis of an initial, cautious estimate.

FINANCIAL RESULT

The financial result includes the following significant items:

FINANCIAL RESULT TAB: 2.5.3

in € million	Q2/14	Q2/13	H1/14	H1/13
Interest income	7.2	5.7	13.6	11.6
Interest expenses	−56.5	−23.3	−88.7	−47.3
– of which interest expenses for pension provisions	−1.1	−1.5	−2.2	−2.9
– of which interest expenses for provisions for mining obligations	−29.5	−6.9	−36.9	−13.9
Interest income, net	**−49.3**	**−17.6**	**−75.1**	**−35.7**
Income from the realisation of financial assets/liabilities	1.7	−0.2	0.4	1.6
Income from the valuation of financial assets/liabilities	−0.7	0.3	−1.0	−1.3
Other financial result	**1.0**	**0.1**	**−0.6**	**0.3**
Financial result	**−48.3**	**−17.5**	**−75.7**	**−35.4**

DISCOUNT FACTORS FOR PROVISIONS

The actuarial measurement of pension provisions is performed by applying the projected unit credit method in accordance with IAS 19. The average weighted discount factor for pensions and similar obligations as of the reporting date was 3.4% (30.6.2013: 4.2%, 31.12.2013: 4.2%). The average weighted discount factor for mining obligations as of 30 June 2014 amounted to 3.8% (30.6.2013: 4.3 %, 31.12.2013: 4.3 %).

TAXES ON INCOME

The following key items are included in taxes on income:

TAXES ON INCOME TAB: 2.5.4

in € million	Q2/14	Q2/13	H1/14	H1/13
Corporate income tax	23.5	26.2	37.3	64.5
Trade tax on income	18.9	22.0	29.8	53.7
Foreign taxes on income	4.6	5.5	13.8	12.6
Deferred taxes	−9.3	−16.1	0.6	−24.7
Taxes on income	**37.7**	**37.6**	**81.5**	**106.1**

Non-cash deferred taxes result from tax loss carryforwards as well as from other temporary tax-related measurement differences.

FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of Group financial instruments:

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS TAB: 2.5.5

		30.6.2014		31.12.2013	
in € million	Measurement category under IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Investments in affiliated companies and equity interests	Available for sale	13.1	13.1	13.1	13.1
Loans	Loans and receivables	0.8	0.8	0.8	0.8
Financial assets		**13.9**	**13.9**	**13.9**	**13.9**
Accounts receivable – trade	**Loans and receivables**	**570.6**	**570.6**	**737.9**	**737.9**
Remaining receivables and non-derivative financial assets	Loans and receivables	122.1	122.1	92.2	92.2
Derivatives	Held for trade	28.6	28.6	22.9	22.9
Other assets	not IFRS 7	118.0	118.0	92.9	92.9
Other receivables and assets		**268.7**	**268.7**	**208.0**	**208.0**
Securities and other financial investments	**Loans and receivables**	**1,266.0**	**1,266.2**	**722.7**	**723.4**
Securities and other financial investments	**Available for sale**	**273.2**	**273.3**	**312.8**	**312.8**
Cash on hand and balances with banks	**Loans and receivables**	**602.8**	**602.8**	**996.3**	**996.3**
Cash on hand and balances with banks	**Available for sale**	**–**	**–**	**15.0**	**15.0**
Financial liabilities	**Financial liabilities at amortised cost**	**2,244.3**	**2,382.1**	**2,255.2**	**2,304.2**
Accounts payable – trade	**Financial liabilities at amortised cost**	**211.1**	**211.1**	**271.5**	**271.5**
Other non-derivative financial liabilities	Financial liabilities at amortised cost	75.2	75.2	50.3	50.3
Derivatives	Held for trade	14.9	14.9	25.2	25.2
Liabilities from finance leases	IFRS 7	3.0	3.0	3.2	3.2
Other liabilities	not IFRS 7	29.0	29.0	33.4	33.4
Remaining and other liabilities		**122.1**	**122.1**	**112.1**	**112.1**

The fair values of the financial instruments were, on principle, 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 13.

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. As of 30 June 2014, financial assets held for trading amounting to € 28.6 million and financial liabilities held for trading amounting to € 14.9 million are to be allocated to Level 2 of the fair value hierarchy. Securities and other financial investments in the “Available for sale” category are based on measurements at Level 1. There are no financial instruments at Level 3 of the fair value hierarchy.

MATERIAL CHANGES IN INDIVIDUAL BALANCE SHEET ITEMS

Compared with the 2013 consolidated financial statements, the balance sheet total as of 30 June 2014 rose by € 336.8 million.

On the asset side, non-current assets increased by € 324.0 million and current assets rose by € 12.8 million. The rise in non-current assets is mainly due to an increase in property, plant and equipment resulting from the increased investment activity connected with the Legacy Project. There was no significant change in the level of current assets. Within current assets, decreases in inventories (€ 77.5 million), trade receivables (€ 167.3 million) and cash on hand and balances with banks (€ 408.5 million) were largely offset by the increase in securities and other financial investments (€ 609.6 million). The increase in current securities and other financial investments is in part attributable to the investment of the liquidity obtained from the K+S AKTIENGESELLSCHAFT’S bond issues in December 2013.

On the equity and liabilities side, equity rose by € 178.6 million. This is primarily due to the positive net income for the first half of 2014. Non-current debt increased by € 126.3 million. This is mainly due to the increase in provisions for mining obligations as well as in provisions for pensions and similar obligations as a result of the reduction in discount rates. Current debt increased by € 31.9 million.

MATERIAL CHANGES IN EQUITY

Equity is influenced by transactions with and without recognition in profit or loss as well as through capital transactions with shareholders. Compared with the 2013 annual financial statements, accumulated profit and other reserves increased by € 179.4 million. The increase is mainly due to the positive net income for the period comprising the first half of 2014. Furthermore, changes in equity without recognition in profit or loss resulting from the foreign currency translation of subsidiaries in functional currencies (primarily US dollar) had to be taken into account. Differences arising from foreign currency translation are recorded in a separate currency translation reserve; this reserve increased by € 33.4 million as of 30 June 2014 because of exchange rate fluctuations. In addition, mainly dividend payments and actuarial losses (after taxes) totalling € 37.1 million served to reduce equity. These largely resulted from the reduction in the discount rate for provisions for pensions and similar obligations.

NET DEBT TAB: 2.5.6

in € million	H1/14	H1/13
Net debt as of 1 January	−1,037.0	−827.3
Cash on hand and balances with banks as of 30 June	602.8	411.9
Non-current securities and other financial investments as of 30 June	73.4	376.5
Current securities and other financial investments as of 30 June	1,465.8	495.0
Bank loans and overdrafts	−2,244.3	−1,266.4
Net financial liabilities as of 30 June	**−102.3**	**17.0**
Provisions for pensions and similar obligations	−153.2	−113.9
Provisions for mining obligations	−860.8	−713.2
Reimbursement claim bond Morton Salt	18.1	19.0
Net debt as of 30 June	**−1,098.2**	**−791.1**

CONTINGENT LIABILITIES

There have been no significant changes in contingent liabilities in comparison with the 2013 annual financial statements and they can be classified as immaterial overall.

RELATED PARTIES

Within the K+S GROUP, deliveries are made and services rendered on customary market terms. Besides transactions between K+S GROUP companies, business relations are maintained with non-consolidated subsidiaries as well as companies over which the K+S GROUP can exercise a significant influence (associated companies). Such relationships do not have a material influence on the consolidated financial statements of the K+S GROUP. In the K+S GROUP, related persons are mainly the members of the Board of Executive Directors and the Supervisory Board. There were no material transactions with this circle of persons.

TOTAL REVENUES Q2

TAB: 2.5.7

in € million	Third-party revenues	Intersegment revenues	Total revenues
Potash and Magnesium Products business unit	461.1	16.4	477.5
Salt business unit	287.2	1.4	288.6
Complementary Activities	36.9	8.2	45.1
Reconciliation	0.5	−26.0	−25.5
K+S Group Q2/14	**785.7**	**–**	**785.7**
Potash and Magnesium Products business unit	548.3	19.4	567.7
Salt business unit	285.2	1.6	286.8
Complementary Activities	40.4	8.6	49.0
Reconciliation	0.6	−29.6	−29.0
K+S Group Q2/13	**874.5**	**–**	**874.5**

TOTAL REVENUES H1

TAB: 2.5.8

in € million	Third-party revenues	Intersegment revenues	Total revenues
Potash and Magnesium Products business unit	968.5	34.5	1,003.0
Salt business unit	928.2	3.3	931.5
Complementary Activities	77.2	16.8	94.0
Reconciliation	0.8	−54.6	−53.8
K+S Group H1/14	**1,974.7**	**–**	**1,974.7**
Potash and Magnesium Products business unit	1,173.8	39.0	1,212.8
Salt business unit	899.7	3.0	902.7
Complementary Activities	80.1	18.4	98.5
Reconciliation	1.2	−60.4	−59.2
K+S Group H1/13	**2,154.8**	**–**	**2,154.8**

2.6 SUMMARY BY QUARTER

REVENUES & OPERATING EARNINGS (IFRS) TAB: 2.6.1

in € million	Q1/13	Q2/13	H1/13	Q3/13	Q4/13	2013	Q1/14	Q2/14	H1/14
Potash and Magnesium Products business unit	625.5	548.3	1,173.8	456.7	407.1	2,037.6	507.4	461.1	968.5
Salt business unit	614.5	285.2	899.7	321.0	530.7	1,751.4	641.0	287.2	928.2
Complementary Activities	39.7	40.4	80.1	39.6	39.7	159.4	40.3	36.9	77.2
Reconciliation	0.6	0.6	1.2	0.4	0.4	2.0	0.3	0.5	0.8
K+S Group revenues	**1,280.3**	**874.5**	**2,154.8**	**817.7**	**977.9**	**3,950.4**	**1,189.0**	**785.7**	**1,974.7**
Potash and Magnesium Products business unit	236.0	209.8	445.8	134.8	86.9	667.5	165.5	196.4	361.9
Salt business unit	100.2	18.6	118.8	37.0	80.1	235.9	113.7	26.4	140.1
Complementary Activities	8.6	8.0	16.6	6.9	8.2	31.7	9.8	7.4	17.1
Reconciliation	−8.5	−9.4	−17.9	−3.1	−6.9	−27.9	−9.2	−6.7	−15.8
K+S Group EBITDA	**336.3**	**227.0**	**563.3**	**175.6**	**168.3**	**907.2**	**279.8**	**223.5**	**503.3**
Potash and Magnesium Products business unit	209.2	182.0	391.2	107.0	54.3	552.5	134.4	159.2	293.6
Salt business unit	73.1	−13.5	59.6	9.2	49.0	117.8	89.1	1.7	90.8
Complementary Activities	6.8	6.2	13.0	5.3	6.4	24.7	8.0	5.6	13.6
Reconciliation	−11.2	−12.1	−23.3	−5.7	−10.2	−39.2	−11.9	−9.2	−21.1
K+S Group EBIT I	**277.9**	**162.6**	**440.5**	**115.8**	**99.6**	**655.9**	**219.6**	**157.3**	**376.9**

INCOME STATEMENT (IFRS) TAB: 2.6.2

in € million	Q1/13	Q2/13	H1/13	Q3/13	Q4/13	2013	Q1/14	Q2/14	H1/14
Revenues	**1,280.3**	**874.5**	**2,154.8**	**817.7**	**977.9**	**3,950.4**	**1,189.0**	**785.7**	**1,974.7**
Cost of sales	715.4	465.1	1,180.5	490.6	574.7	2,245.8	668.6	436.4	1,105.0
Gross profit	**564.9**	**409.4**	**974.3**	**327.1**	**403.2**	**1,704.6**	**520.4**	**349.3**	**869.7**
Selling expenses	235.2	188.6	423.8	186.3	225.5	835.6	242.8	174.9	417.7
General and administrative expenses	50.4	50.3	100.7	41.1	49.9	191.7	45.1	45.1	90.2
Research and development costs	3.4	3.3	6.7	3.9	3.3	13.9	3.0	2.8	5.8
Other operating income / expenses	−0.7	−8.8	−9.5	9.9	−28.7	−28.3	−12.1	26.3	14.2
Income from investments, net	2.4	0.6	3.0	3.1	0.5	6.6	1.0	0.3	1.3
Result from operating forecast hedges	−3.5	−1.9	−5.4	6.1	−17.3	−16.6	−23.1	39.3	16.2
Result after operating hedges (EBIT II)	**274.1**	**157.1**	**431.2**	**114.9**	**79.0**	**625.1**	**195.3**	**192.4**	**387.7**
Financial result	−17.9	−17.5	−35.4	−21.4	−19.5	−76.3	−27.4	−48.3	−75.7
Earnings before income taxes	**256.2**	**139.6**	**395.8**	**93.5**	**59.5**	**548.8**	**167.9**	**144.1**	**312.0**
Taxes on income	68.5	37.6	106.1	22.5	4.6	133.2	43.8	37.7	81.5
– of which deferred taxes	−8.6	−16.1	−24.7	−15.4	−21.0	−61.1	9.9	−9.3	0.6
Earnings after taxes from continued operations	**187.7**	**102.0**	**289.7**	**71.0**	**54.9**	**415.6**	**124.1**	**106.4**	**230.5**
Earnings after taxes from discontinued operations	–	–	–	–	−2.3	−2.3	–	–	–
Net income	**187.7**	**102.0**	**289.7**	**71.0**	**52.6**	**413.3**	**124.1**	**106.4**	**230.5**
Minority interests in earnings	0.2	–	0.2	0.1	0.2	0.5	–	0.2	0.2
Group earnings after taxes and minority interests	**187.5**	**102.0**	**289.5**	**70.9**	**52.4**	**412.8**	**124.1**	**106.2**	**230.3**
Operating earnings from continued operations (EBIT I)	**277.9**	**162.6**	**440.5**	**115.8**	**99.6**	**655.9**	**219.6**	**157.3**	**376.9**
Earnings before income taxes from continued operations, adjusted [1]	**260.0**	**145.1**	**405.1**	**94.4**	**80.1**	**579.6**	**192.2**	**109.0**	**301.2**
Group earnings from continued operations, adjusted [1]	**190.2**	**105.9**	**296.1**	**71.6**	**69.4**	**437.1**	**141.5**	**81.1**	**222.6**
Group earnings after taxes, adjusted [1,2]	**190.2**	**105.9**	**296.1**	**71.6**	**67.1**	**434.8**	**141.5**	**81.1**	**222.6**

OTHER KEY DATA (IFRS)

TAB: 2.6.3

		Q1/13	Q2/13	H1/13	Q3/13	Q4/13	2013	Q1/14	Q2/14	H1/14
Capital expenditure [3]	€ million	110.8	191.3	302.1	186.4	254.0	742.5	164.6	271.6	436.2
Depreciation and amortisation [3]	€ million	58.4	64.4	122.8	59.8	68.7	251.3	60.2	66.2	126.4
Working capital	€ million	982.6	–	836.2	845.5	–	844.9	696.9	–	628.5
Net debt	€ million	618.8	–	791.1	902.0	–	1,037.0	831.9	–	1,098.2
Earnings per share from continued operations, adjusted [1]	€	0.99	0.56	1.55	0.37	0.36	2.28	0.74	0.42	1.16
Earnings per share, adjusted [1,2]	€	0.99	0.56	1.55	0.37	0.35	2.27	0.74	0.42	1.16
Book value per share	€	19.05	–	17.86	17.93	–	17.75	18.20	–	18.68
Average number of shares [4]	million	191.40	–	191.40	191.40	191.40	191.40	191.40	191.40	191.40
Closing price	XETRA, €	36.29	–	28.41	19.16	–	22.38	23.85	–	24.02
Employees as of the reporting date [5]	number	14,300	–	14,255	14,473	–	14,421	14,330	–	14,248

[1] 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 as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollar (Legacy Project). Related effects on deferred and cash taxes are also eliminated; tax rate for Q2/14: 28.6 % (Q2/13: 28.5 %).
[2] Earnings from continued and discontinued operations.
[3] Capital expenditure in or depreciation on property, plant and equipment, intangible assets and investment properties as well as depreciation on financial assets.
[4] Total number of shares less the average number of own shares held by K+S.
[5] FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.

FINANCIAL CALENDAR

FINANCIAL CALENDAR	2014/2015
Quarterly Financial Report, 30 September 2014	13 November 2014
Report on business in 2014	12 March 2015
Quarterly Financial Report, 31 March 2015	12 May 2015
Annual General Meeting, Kassel	12 May 2015
Dividend payment	13 May 2015
Half-yearly Financial Report, 30 June 2015	13 August 2015

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Editing/Text
K+S Investor Relations
Produced in-house with FIRE.sys