H1/16 Half-Yearly Financial Report

K+S GROUP

+ Significant decline in revenues and earnings in the second quarter
+ Lower average selling price in the Potash and Magnesium Products business unit
+ Absence of deep-well injection permit and dry weather lead to considerable production limitations
+ Demand for de-icing salt is significantly down on the previous year due to the mild winter
+ Legacy Project on the verge of commissioning in spite of incident
+ ‘Fit for the Future’ and ‘Salt 2020’ again make important contributions

+ Outlook 2016: EBIT I of between € 200 million and € 300 million expected

KEY DATA BUSINESS DEVELOPMENT

KEY FIGURES (IFRS)

		Q2/15	Q2/16	%	H1/15	H1/16	%
Revenues	**€ million**	**914.4**	**732.1**	**−19.9**	**2,291.5**	**1,827.6**	**−20.2**
– of which Potash and Magnesium Products business unit	€ million	500.5	370.9	−25.9	1,108.9	831.4	−25.0
– of which Salt business unit	€ million	374.0	319.2	−14.7	1,101.0	913.8	−17.0
– of which Complementary Activities	€ million	39.6	41.8	+ 5.6	80.9	81.8	+ 1.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**€ million**	**247.3**	**83.4**	**−66.3**	**630.3**	**368.8**	**−41.5**
– of which Potash and Magnesium Products business unit	€ million	179.0	50.4	−71.8	396.2	187.4	−52.7
– of which Salt business unit	€ million	70.8	32.8	−53.7	240.4	182.8	−24.0
– of which Complementary Activities	€ million	9.0	8.4	−6.7	19.0	16.0	−15.8
Operating earnings (EBIT I)	**€ million**	**179.2**	**15.0**	**−91.6**	**495.9**	**233.3**	**−53.0**
– of which Potash and Magnesium Products business unit	€ million	143.9	14.7	−89.8	327.2	117.0	−64.2
– of which Salt business unit	€ million	42.6	4.9	−88.5	184.5	127.4	−30.9
– of which Complementary Activities	€ million	6.7	6.2	−7.5	14.4	11.6	−19.4
EBIT I margin	**%**	**19.6**	**2.0**	**–**	**21.6**	**12.8**	**–**
– Potash and Magnesium Products business unit	%	28.8	4.0	–	29.5	14.1	–
– Salt business unit	%	11.4	1.5	–	16.8	13.9	–
– Complementary Activities	%	16.9	14.8	–	17.8	14.2	–
Group earnings, adjusted [1]	€ million	118.7	−0.2	–	317.0	147.7	−53.4
Earnings per share, adjusted [1]	€	0.62	–	–	1.66	0.77	−53.4
Capital expenditure [2]	€ million	355.5	362.8	+ 2.1	555.4	642.6	+ 15.7
Depreciation and amortisation [2]	€ million	68.1	68.4	+ 0.4	134.4	135.5	+ 0.8
Cash flow from operating activities	€ million	124.3	65.4	−47.4	423.2	359.2	−15.1
Adjusted free cash flow [3]	€ million	−190.5	−227.9	–	−92.9	−177.5	–
Net debt as of 30 June	€ million	–	–	–	1,967.8	2,860.4	+ 45.4
Net debt/EBITDA (LTM)		–	–	–	1.9	3.6	–
Equity ratio	%	–	–	–	51.9	49.2	–
Return on capital employed (LTM)	%	–	–	–	13.8	7.6	–
Book value per share as of 30 June	€	–	–	–	22.54	22.82	+ 1.2
Average number of shares	million	191.4	191.4	–	191.4	191.4	–
Employees as of 30 June [4]	number	–	–	–	14,201	14,415	+ 1.5
Market capitalisation as of 30 June	€ billion	–	–	–	6.96	3.51	−49.5
Enterprise value (EV) as of 30 June	€ billion	–	–	–	9.82	5.48	−44.2

[1] The adjusted key figures include the result from operating forecast hedges in the respective reporting period, which eliminates effects from fluctuations in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project). Related effects on deferred and cash taxes are also eliminated; tax rate in Q2/16: 29.0% (Q2/15: 28.6%).
[2] Capital expenditure in or depreciation and amortisation affecting net income on property, plant and equipment, intangible assets, investment properties and financial assets.
[3] Adjusted for acquisitions and disposals of securities and other financial investments.
[4] FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.

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

1

1.1 GROUP STRUCTURE AND BUSINESS OPERATIONS

Please see the relevant sections of our 2015 Annual Report (page 24) for a full description of our Group's legal and organisational structure and business operations, including products and services.

The section 'Changes in the scope of consolidation' can be found on page 26 in the Notes to this Half-Yearly Financial Report. The Group structure and business operations described in the 2015 Annual Report remained largely unchanged.

1.2 CORPORATE STRATEGY AND ENTERPRISE MANAGEMENT

There were no changes to corporate strategy or enterprise management in the second quarter. Please see the relevant sections 'Declaration on Corporate Governance' (starting on page 51) and 'Corporate Strategy' (starting on page 71) in the 2015 Annual Report for a detailed description of corporate strategy and enterprise management.

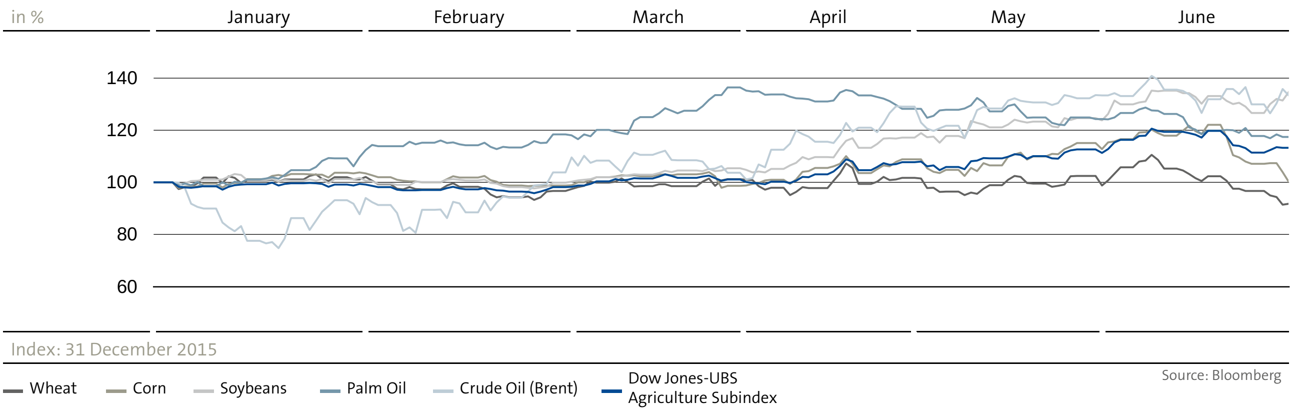
1.3 OVERVIEW OF THE COURSE OF BUSINESS

MACROECONOMIC ENVIRONMENT

After soft commodity prices reached their lowest point at the beginning of the year, some increased again in the first half of the year as a result of lower harvest estimates. The DOW JONES-UBS AGRICULTURE SUBINDEX, which tracks developments in the prices of corn, soybeans, sugar, wheat, soy oil, cotton and coffee, was up by around 13% during the quarter under review.

The price of Brent Crude Oil increased significantly during the quarter and was around USD 50 a barrel at the end of June. However, the average price in the second quarter of 2016 of around USD 47 was again significantly below the previous year's figure (Q2/15: USD 63). The average price of NCG-Natural-Gas-Year-Futures, which focus primarily on western and southern Germany, experienced a significant demand-related decline compared with the same quarter in the previous year to around € 13/MWh (Q2/15: € 22/MWh).

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



Source: Bloomberg

The US dollar rose slightly against the euro over the quarter under review and was trading at EUR/USD 1.11 as of 30 June. In terms of the average for the quarter, the exchange rate was EUR/USD 1.13 and nearly the same as the previous year's figure (Q2/15: EUR/USD 1.11).

IMPACT ON K+S

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

+ The K+S GROUP's energy costs are affected particularly by the cost of purchasing gas. Consequently, the drop in the cost of purchasing gas in Europe had a favourable effect on the K+S cost position.
+ Foreign currency hedging system: As in the same period in the previous year, the application of hedging instruments for the Potash and Magnesium Products business unit resulted in an average exchange rate in the second quarter of EUR/USD 1.21, including hedging costs.
+ In spite of some significant price increases in important soft commodities, prices continued to trade at a comparatively low level at the end of the reporting period. At the same time, input costs, e.g. for fertilizers, continued to fall. The resulting earnings prospects should give farmers sufficient incentive to increase yield per hectare by using plant nutrients.

/ **Further details on the foreign currency hedging system** can be found on page 90 of the 2015 Annual Report.

INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

The conditions in the key sales regions and the competitive positions of the individual business units described in the 2015 Annual Report (page 28) have remained virtually unchanged.

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

At the beginning of the year, the industry situation in the Potash and Magnesium Products business unit was characterised by increasing price pressure overseas for the standard product potassium chloride (MOP). Demand for potassium chloride was restrained and remained below the high level in the previous year due mainly to continued low agricultural prices, the outstanding contracts with Chinese and Indian customers and the late start of the fertilizer season in some areas. This situation prompted various potash producers to reduce existing capacities significantly in part or report lower production for the rest of the year. According to official information, the major potash suppliers agreed on a price per tonne for potassium chloride of USD 219 and 227 (including shipping) respectively with Chinese and Indian customers half way through the year, and consequently were able, in our opinion, to exceed market expectations slightly. Also, the price level of some products in the fertilizer specialties segment was affected by the general downward trend in fertilizer prices.

SALT BUSINESS UNIT

In North America and Europe, the mild winter at the beginning of the year led to a reduction in demand for de-icing salt and prices showed a moderate fall in the context of early fills and ongoing tenders for the upcoming winter season.

High inventories among European and North American producers in the second quarter of 2016 led to greater competition in the salt for chemical use business. However, the price level remained stable in Europe. Demand was muted in South America due to the sustained economic slowdown, particularly in Brazil. The branded consumer business in the Americas continued to show favourable trends and positive developments were recorded in the food processing business in North America.

AFFILIATED COMPANIES AND RELATED PARTIES

Please see the relevant sections in the Notes on page 29 for a detailed description of significant transactions with affiliated companies and related parties.

1.4 EARNINGS, FINANCIAL AND ASSET POSITION

DEVELOPMENT OF ORDERS

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

/ **Further details on the development of orders** can be found on page 84 of the 2015 Annual Report.

EARNINGS POSITION

KEY FIGURES TAB: 1.4.1

in € million	Q2/15	Q2/16	%	H1/15	H1/16	%
Revenues	**914.4**	**732.1**	**−19.9**	**2,291.5**	**1,827.6**	**−20.2**
– of which Potash and Magnesium Products business unit	500.5	370.9	−25.9	1,108.9	831.4	−25.0
– of which Salt business unit	374.0	319.2	−14.7	1,101.0	913.8	−17.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**247.3**	**83.4**	**−66.3**	**630.3**	**368.8**	**−41.5**
– of which Potash and Magnesium Products business unit	179.0	50.4	−71.8	396.2	187.4	−52.7
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Operating earnings (EBIT I)	**179.2**	**15.0**	**−91.6**	**495.9**	**233.3**	**−53.0**
– of which Potash and Magnesium Products business unit	143.9	14.7	−89.8	327.2	117.0	−64.2
– of which Salt business unit	42.6	4.9	−88.5	184.5	127.4	−30.9
Return on capital employed (LTM, in %)	**–**	**–**	**–**	**13.8**	**7.6**	**–**

REVENUES OF THE K+S GROUP DOWN SIGNIFICANTLY ON PREVIOUS YEAR

The K+S GROUP recorded a significant decline in revenues to € 1,827.6 million in the first half of 2016 (H1/15: € 2,291.5); this represents a good 20% dip. The reasons for this were the lower average prices in the Potash and Magnesium Products business unit, limited product availability due to production suspensions at the Werra plant and demand-related lower sales volume in the North American de-icing salt business. Revenues of € 732.1 million in the second quarter were significantly lower than the level in the previous year of € 914.4 for the same reasons.

/ **Further information about production limitations** can be found on page 11.

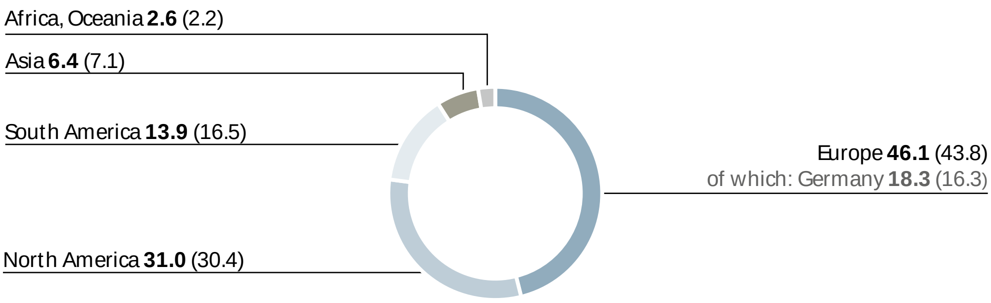
VARIANCE COMPARED WITH PREVIOUS YEAR TAB: 1.4.2

in %	Q2/16	H1/16
Change in revenues	**−19.9**	**−20.2**
– volume/structure-related	−9.4	−13.5
– price/pricing-related	−9.1	−6.3
– currency-related	−1.4	−0.4
– consolidation-related	–	–

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

In the quarter under review, nearly 51% of revenues was generated by the Potash and Magnesium Products business unit, followed by Salt with around 43% and Complementary Activities (6%).

REVENUES BY REGION APRIL – JUNE 2016 (IN %) FIG: 1.4.1



Previous year's figures in brackets

DEVELOPMENT OF SELECTED COST TYPES

Personnel expenses, freight, material and energy costs are particularly important for K+S. In the first half of 2016, personnel expenses amounted to € 503.7 million and were therefore moderately below the level in the previous year (H1/15: € 555.5 million). Lower accruals for performance-related remuneration and costs for one-off payments in the context of collective agreements were accompanied by higher expenditure arising from wage and salary increases. Freight costs of € 330.7 million were significantly below the figure in the previous year, which was mainly volume-related (H1/15: € 426.0 million). K+S was also able to benefit from the lower fuel prices here. Costs of raw materials, consumables, supplies and of purchased merchandise (material costs) also fell by 13.5% to € 257.2 million due to lower sales volume. K+S incurred energy costs of € 110.5 million during the period under review; this represents a drop of € 20.4 million that is essentially price related.

'FIT FOR THE FUTURE'

K+S continued its considerable efforts in the first half of 2016 to make the cost and organisational structures of the entire Group more efficient. We are striving for total cost savings of € 500 million between 2014 and 2016 compared with previous planning for this period. In addition to actual savings, this figure also includes expenses that were originally planned, but have been avoided. We exceeded our targets for 2014 and 2015. A higher contribution to the result was achieved again in the first half of 2016.

OPERATING EARNINGS EBITDA AND EBIT I

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to € 368.8 million after the first six months and consequently were down 40% on the previous year's level (H1/15: € 630.3 million). The operating earnings (EBIT I) of the K+S GROUP only amounted to € 233.3 million, compared with € 495.9 million in the previous year, a drop of 53%. This is due primarily to lower average prices, a disadvantageous product mix and lower sales volumes following the production limitations in the Potash and Magnesium Products business unit. In the Salt business unit, EBIT I fell significantly due to the reduced demand for de-icing salt. Depreciation and amortisation in the first six months were € 135.5 million (H1/15: € 134.4 million). In the quarter under review, EBITDA amounted to € 83.4 million (Q2/15: € 247.3 million); EBIT I of € 15.0 million was almost 92% down on the previous year. The production losses at the Werra plant had a significant adverse effect particularly in the second quarter. In the Salt business unit, the mild 2015/2016 winter also led to a purchasing reduction by de-icing salt customers.

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

/ **Further details on EBIT II and reconciliation** can be found on page 22.

FINANCIAL RESULT

The financial result in the first half of 2016 amounted to € – 28.3 million compared with € – 54.2 million in the previous year. This improvement was due in particular to the fact that the previous year was adversely affected by a reduction in the discount rate for mining provisions (H1/15: €– 23.6 million). Moreover, the higher capitalisation of interest on debt this year (€ + 17.4 million) more than compensated the decline in the other financial result (€– 10.7 million). The financial result was € – 15.0 million in the quarter under review (Q2/15: € – 13.7 million).

/ **Further details on the financial result and discount factors for provisions** can be found in the Notes on page 27.

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

Following the development in operating earnings, Group earnings after taxes and minority interests reached € 201.4 million in the first half of 2016 (H1/15: € 316.9 million). In terms of earnings per share, this represents a drop of € 0.51 to € 1.05 (H1/15: € 1.66). An average number of 191.4 million outstanding no-par value shares was used as the basis for the calculation.

The effects indicated above proved particularly significant for Group earnings after taxes and minority interests in the second quarter. These reached € 0.2 million after € 153.3 million in the previous quarter. In terms of earnings per share, this gives a figure of € 0.00 (Q2/15: € 0.80).

Group earnings after taxes adjusted in accordance with changes in the market value of derivatives were € 147.7 million after the first six months (H1/15: € 317.0 million); this corresponds to a drop of € 169.3 million or 53.4%. Adjusted earnings per share amounted to € 0.77 in the same period compared with € 1.66 in the previous year. Adjusted Group earnings after taxes fell to € – 0.2 million in the second quarter (Q2/15: € 118.7 million), resulting in a figure of € 0.00 per share compared with € 0.62 for the same quarter in the previous year.

FINANCIAL POSITION

CAPITAL EXPENDITURE IN THE SECOND QUARTER SLIGHTLY ABOVE PREVIOUS YEAR'S FIGURE

CAPITAL EXPENDITURE [1] TAB: 1.4.3

in € million	Q2/15	Q2/16	%	H1/15	H1/16	%
Potash and Magnesium Products business unit	330.8	334.6	+ 1.1	515.5	601.2	+ 16.6
Salt business unit	17.9	26.1	+ 45.8	30.7	38.0	+ 23.8
Complementary Activities	0.8	1.2	+ 50.0	1.2	1.9	+ 58.3
Reconciliation	6.0	0.9	−85.0	8.0	1.5	−81.3
K+S Group	**355.5**	**362.8**	**+ 2.1**	**555.4**	**642.6**	**+ 15.7**

[1] Capital expenditure in property, plant and equipment, intangible and financial assets of continued operations.
[2] Further information regarding future capital expenditure can be found on page 18.

The K+S GROUP invested a total of € 362.8 million in the second quarter of 2016 (Q2/15: € 355.5 million). Most of the capital expenditure was in the Potash and Magnesium Products business unit and essentially related to the Legacy Project in Canada. We also invested in measures for water protection in the Hesse-Thuringia potash district. In the Salt business unit, the focus was on the expansion of the plant at Port Canaveral, USA to include food grade sea salt production facilities and storage areas. In addition, at the Perth Amboy salt plant in the USA, decommissioning was prepared and selected activities relocated to the Fairless Hills, USA site in order to expand production capacity there.

/ **Further information on the Legacy Project** can be found on page 10 under 'Potash and Magnesium Products business unit'.

CASH FLOW FROM OPERATING ACTIVITIES BELOW FIGURE FOR PREVIOUS YEAR

CASH FLOW OVERVIEW TAB: 1.4.4

in € million	H1/15 [1]	H1/16
Cash flow from operating activities	423.2	359.2
Cash flow from investment activities	– 158.2	−519.9
Free cash flow	**265.0**	**−160.7**
Adjustment for acquisitions and disposals of securities and other financial investments	−357.9	−16.8
Adjusted free cash flow	**−92.9**	**−177.5**

[1] Previous year's figures have been adjusted. Further detailed explanation of the adjustment can be found in the Notes on page 30.

Cash flow from operating activities was € 359.2 million (H1/15: € 423.2 million). This drop was mainly the result of lower operating earnings EBIT I. This was accompanied by lower working capital commitments compared with the previous year.

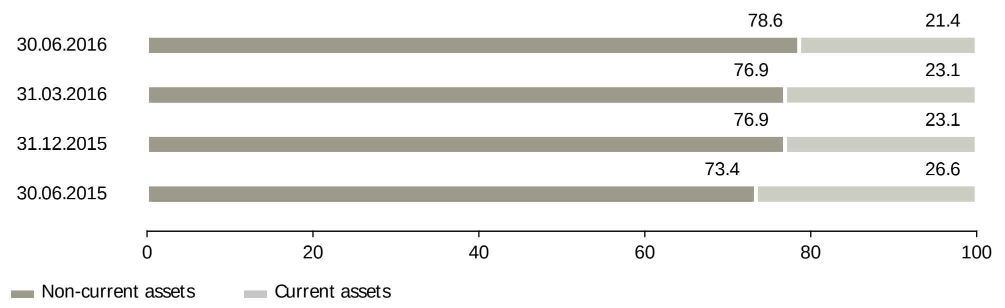
Cash flow from investment activities (excluding acquisitions/disposals of securities and other financial investments) amounted to € – 536.7 million (H1/15: € – 516.1 million). This slight increase is essentially due to higher planned capital expenditure for the Legacy Project. Adjusted free cash flow reached € – 177.5 million compared with € – 92.9 million in the previous year.

The K+S GROUP issued a 'Schuldschein' (promissory note) in the last quarter with a total volume of € 600 million. This volume is divided into fixed and variable interest-bearing tranches for periods of between three and seven years. The average interest rate over all tranches is approx. 1.00% per annum. This was accompanied by a dividend payout of € 220.1 million. In this context, cash flow from financing activities was € 358.1 million (H1/15: € – 173.7 million). As of 30 June 2016, net cash and cash equivalents amounted to € 316.7 million (30 June 2015: € 472.1 million; 31 December 2015: € 118.4 million). These capital investments relate mainly to term deposit investments, money market instruments and comparable securities with a residual term of less than three months.

ASSET POSITION

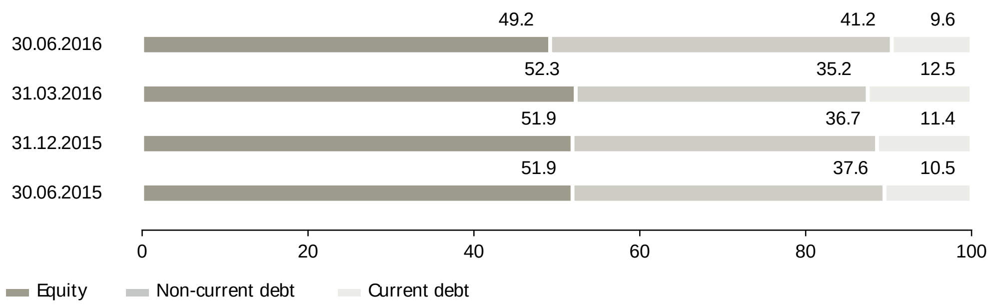
The balance sheet total of the K+S GROUP was € 8,871.8 million as of 30 June 2016 (31 December 2015: € 8,273.6 million). Fixed assets increased by € 659.3 million to € 5,714.1 million, mainly due to investments in the Legacy Project and a strong Canadian dollar in relation to the euro (31 December 2015: € 5,054.8 million). Cash and cash equivalents, current and non-current securities and other financial investments increased to € 344.8 million due to the 'Schuldschein' (promissory note) issue (31 December 2015: € 163.1 million).

ASSETS (IN %) FIG: 1.4.2



At € 4,367.7 million, equity was € 72.1 million higher than the value as of 31 December 2015 (€ 4,295.6 million). This increase stemmed primarily from the Group net income for the period. The equity ratio was 49.2% as of the reporting date.

EQUITY AND LIABILITIES (IN %) FIG: 1.4.3



As of 30 June 2016, financial liabilities amounted to € 2,122.6 million (31 December 2015: € 1,543.7 million). The main reason for this development was the issue of the 'Schuldschein' (promissory note). As of 30 June 2016, the most significant provisions of the K+S GROUP related to mining provisions of € 883.1 million (up € 13.0 million compared with 31 December 2015) as well as pensions and similar obligations of € 216.2 million (up € 50.1 million especially due to a lower domestic discount rate of 1.5% versus 2.2% on 31 December 2015).

/ **Further details of the main changes in individual balance sheet items** can be found in the Notes on page 28.

NET DEBT TAB: 1.4.5

in € million	H1/15	H1/16
Cash and cash equivalents as of 30 June	478.5	321.9
Non-current securities and other financial investments as of 30 June	84.5	7.0
Current securities and other financial investments as of 30 June	124.4	15.9
Financial liabilities	−1,519.9	−2,122.6
Liabilities from finance leases	− 3.0	− 4.9
Reimbursement claim Morton Salt bond	21.7	21.6
Net financial liabilities as of 30 June	**−813.8**	**−1,761,1**
Provisions for pensions and similar obligations	−154.4	−216.2
Provisions for mining obligations	−999.6	−883.1
Net debt as of 30 June	**−1,967.8**	**−2,860.4**

1.5 PRESENTATION OF SEGMENTS

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

KEY FIGURES TAB: 1.5.1

in € million	Q2/15	Q2/16	%	H1/15	H1/16	%
Revenues	500.5	370.9	−25.9	1,108.9	831.4	−25.0
– of which potassium chloride	224.1	155.3	−30.7	475.4	344.6	−27.5
– of which fertilizer specialties	208.9	151.6	−27.4	494.8	354.4	−28.4
– of which industrial products	67.5	64.0	−5.2	138.7	132.4	−4.5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	179.0	50.4	−71.8	396.2	187.4	−52.7
Operating earnings (EBIT I)	143.9	14.7	−89.8	327.2	117.0	−64.2

REVENUES

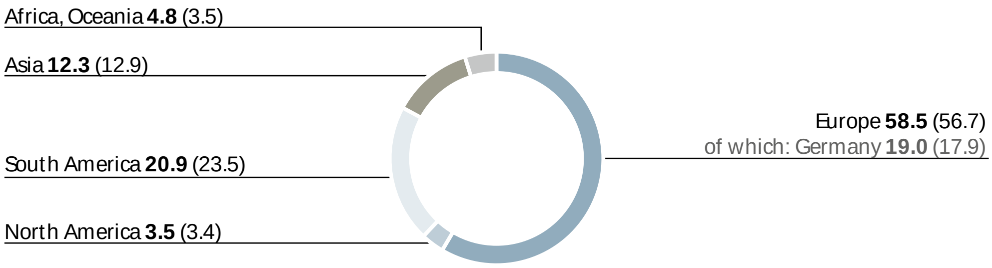
At € 831.4 million, revenues of the business unit in the first half of 2016 were significantly lower than in the same period in the previous year due to price and volume effects (H1/15: € 1,108.9 million). In the potassium chloride segment the significant decline in revenues was mainly due to lower prices overseas. Also, lower average prices were noted in the fertilizer specialties segment. In the second quarter, the production suspensions at the Werra plant in connection with the disposal of salt residue especially had a negative effect on K+S' premium fertilizer specialties business. Inventory reductions could mitigate this effect.

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

VARIANCE COMPARED WITH PREVIOUS YEAR TAB: 1.5.2

in %	Q2/16	H1/16
Change in revenues	**−25.9**	**−25.0**
– volume/structure-related	−8.1	−10.9
– price/pricing-related	−16.9	−14.1
– currency-related	−0.9	–
– consolidation-related	–	–

REVENUES BY REGION APRIL – JUNE 2016 (IN %) FIG: 1.5.1



Previous year's figures in brackets

Sales volume in the first half of 2016 was 3.17 million tonnes, compared with 3.55 million tonnes in the previous year. In the reporting quarter it totalled 1.48 million tonnes and was therefore moderately below the figure in the previous year (Q2/15: 1.61 million tonnes). Alongside the global purchasing restraint following the pending contracts with India and China during the second quarter, the significantly late start of spring fertilization in Europe led to reduced purchasing interest. Sales of potassium chloride fell as a result by nearly 6% to 0.73 million tonnes compared with 0.77 million tonnes in the same period in the previous year. However, the relatively robust demand for fertilizer specialties could not be met in full due to the production losses. Sales fell by more than 12% to 0.58 million tonnes

(Q2/15: 0.66 million tonnes). Sales volume of 0.18 million tonnes was generated in the industrial products segment as in the previous year.

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

		Q1/15	Q2/15	H1/15	Q3/15	Q4/15	2015	Q1/16	Q2/16	H1/16
Revenues	**€ million**	**608.4**	**500.5**	**1,108.9**	**471.4**	**511.0**	**2,091.3**	**460.5**	**370.9**	**831.4**
Europe	€ million	363.3	283.6	646.9	221.9	274.3	1,143.1	316.3	217.1	533.4
Overseas	US$ million	276.1	239.4	515.6	277.2	259.4	1,052.1	158.9	173.7	332.6
Sales volumes	**t million (product)**	**1.94**	**1.61**	**3.55**	**1.52**	**1.75**	**6.82**	**1.69**	**1.48**	**3.17**
Europe	t million (product)	1.21	0.90	2.11	0.70	0.92	3.73	1.05	0.78	1.82
Overseas	t million (product)	0.73	0.72	1.45	0.82	0.82	3.09	0.64	0.70	1.35
Average price	**€/t (product)**	**313.6**	**310.4**	**312.2**	**309.8**	**291.5**	**306.5**	**272.4**	**250.1**	**262.0**
Europe	€/t (product)	301.4	315.1	307.3	317.7	297.7	306.3	302.3	279.1	292.4
Overseas	US$/t (product)	375.6	336.3	356.3	337.0	315.8	340.3	246.6	246.4	246.5

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

DEVELOPMENT OF EARNINGS

Operating earnings EBIT I amounted to € 117.0 million in the first half of 2016 compared with € 327.2 million in the previous year; this represents a drop of around 64%. The significantly lower price level for plant nutrients and production limitations at the Werra plant in particular led to this development. EBIT I was only € 14.7 million in the quarter under review on account of the effects already referred to and thus just under 90% below the figure in the previous year (Q2/15: € 143.9 million). Expected higher start-up costs in the context of the Legacy Project also had an adverse effect. These were offset by savings associated with the 'Fit for the Future' programme.

LEGACY PROJECT

Legacy is a greenfield project to set up solution mining-based potash production in the southern part of the Canadian province of Saskatchewan. The plant will possess a production capacity of 2.86 million tonnes in the long-term and consequently will expand the German production network significantly, reduce average production costs and extend the average useful life of the K+S potash mines. The new potash plant will also increase international competitiveness and contribute positively to the K+S GROUP as a whole.

The focus in the quarter under review was to complete the construction of the steel structure of the factory, work on the building fronts and interior, including pipeline construction and electrical installations, and work on the rail connection. Moreover, preparatory tasks have started ahead of commissioning. Work has progressed well. On 17 July 2016 however, a process vessel became detached from its mounting during a routine test and fell to the floor causing considerable damage to property. Nobody was injured. Intensive efforts have already been made together with the partners involved (including insurance companies) to assess and repair the damage.

Commissioning is still scheduled for the end of August 2016. Based on present findings, the production of the first tonne of potash should start in the second quarter of 2017 and not at the end of 2016 as originally forecasted. Regardless of this, K+S is still assuming that it will be able to reach its target production capacity of 2 million tonnes at the end of 2017. Production will be below the expected volume of up to 1 million tonnes in the course of the delayed start-up period next year.

Further information about the Legacy Project can be found on our website at www.k-plus-s.com/en/legacy-project.

EXPANSION OF FERTILIZER SPECIALTIES BUSINESS IN ASIA

On 14 July 2016, K+S signed a contract to take over the activities of HULUDAO MAGPOWER FERTILIZERS CO., LTD. (MAGPOWER), the Chinese manufacturer of magnesium sulphate fertilizers, for a low two-digit million euro amount. MAGPOWER is one of the largest Chinese producers of synthetic magnesium sulphate (SMS), which is used as a fertilizer for oil palms, soybeans and sugar cane as well as for industrial applications. In line with our fertilizer specialties strategy, this represents an important step forward in expanding into Asia.

SALINE WASTEWATER DISPOSAL REMAINS CHALLENGING

The review of the application submitted by K+S to the Kassel Regional Council in April 2015 concerning deep-well injection until the end of 2021 is still ongoing. At the end of 2015, K+S expected the technical review to be completed in the summer of this year. Under the terms of the current temporary permit, only a limited volume of saline wastewater can be injected underground. This means that the disposal of production and tailings pile wastewater is dependent on the flow of water in the Werra river.

In spite of efficient wastewater management using available storage basins, production limitations were unavoidable in the first half of the year at individual Werra plant sites, particularly at the beginning of the months in which there was low rainfall. In the first half of the year, production had to be suspended at the Unterbreizbach (Thuringia) and Hattorf (Hessen) sites for a total of 49 days. Based on a normal hydrological year, significantly fewer lost days were anticipated. As things currently stand, it is not possible to catch up with the resulting production shortfall.

A short-time working agreement was reached with the joint works council for employees at the Werra plant, which represents just under half of domestic potash production. So far over 1,000 employees have been affected at the height of the suspensions. The overall situation proves to be very challenging for all employees.

MEASURES TO IMPROVE PRODUCTION CAPABILITIES

In order to maintain production during the dryer months with an expected lower flow of water in the Werra river and limited availability of injection volume, we are currently conducting an extensive review of the feasibility of additional measures for wastewater disposal. A key aspect is temporary, and in some cases permanent, disposal in own and third-party mines or caverns, both around the sites and in regions that are located further away using appropriate truck and rail transport.

The emerging technical solutions are promising. However, from today's perspective, the implementation still requires numerous permits and some time. Full production in the Hesse-Thuringia potash district is not possible without additional deep-well injection permits.

MORE USABLE RESOURCES, LESS WASTEWATER

K+S also undertakes major water protection projects: After the aim to halve the volume of saline wastewater in the Werra potash plant to 7 million m^3 per annum by the end of 2015 was achieved as planned, we started to work on the construction of a further processing plant, the kainite crystallization and flotation plant, in short KCF, on the Hattorf site. This plant should reduce the volume of saline wastewater by a further 1.5 million m^3 per annum from 2018 and also obtain up to 260,000 tonnes of additional usable resources for the production of fertilizers.

SALT BUSINESS UNIT

KEY FIGURES — TAB: 1.5.4

in € million	Q2/15	Q2/16	%	H1/15	H1/16	%
Revenues	374.0	319.2	−14.7	1,101.0	913.8	−17.0
– of which de-icing	79.7	33.8	−57.6	529.0	346.9	−34.4
– of which consumer	111.6	110.6	−0.9	212.9	214.2	+ 0.6
– of which industrial	81.9	77.7	−5.1	163.7	156.1	−4.6
– of which food processing	60.0	60.0	–	116.6	120.3	+ 3.2
– of which salt for chemical use	31.8	28.4	−10.5	58.1	57.9	−0.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	70.8	32.8	−53.7	240.4	182.8	−24.0
Operating earnings (EBIT I)	42.6	4.9	−88.5	184.5	127.4	−30.9

REVENUES

In the first half of the year, revenues for the Salt business unit were down significantly on the figure for the previous year at € 913.8 million (H1/15: € 1,101.0 million). The main reason for the decline in revenues was the significantly lower sales volumes for the de-icing salt business due to mild weather conditions in North America and Europe. It was not possible to attain the high figure reached in the previous year, which benefitted in particular from an exceptionally severe winter in North America.

Revenues for other products were virtually stable at € 548.5 million (H1/15: € 551.2 million). The sales volumes for crystallised salt of 10.02 million tonnes were significantly below the high figure reached in the previous year (H1/15: 12.70 million tonnes).

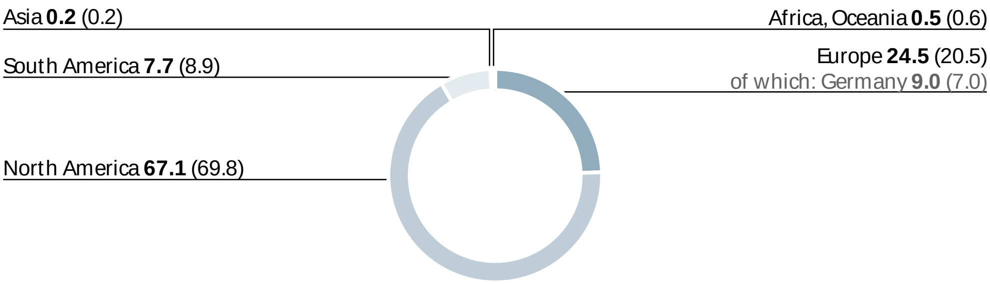
/ **A description of the market environment in the Salt business unit** can be found in the 'Industry-specific framework conditions' section on page 3.

Revenues fell by around 15% to € 319.2 million in the quarter under review compared with € 374.0 million in the previous year. This was due to lower sales volumes of de-icing salt in North America, especially on the East Coast. Sales volumes for crystallised salt of 2.89 million tonnes were around 20% below the figure in the previous year (Q2/15: 3.59 million tonnes).

VARIANCE COMPARED WITH PREVIOUS YEAR — TAB: 1.5.5

in %	Q2/16	H1/16
Change in revenues	−14.7	−17.0
– volume/structure-related	−13.2	−17.4
– price/pricing-related	+ 0.7	+ 1.2
– currency-related	−2.2	−0.8
– consolidation-related	–	–

REVENUES BY REGION APRIL – JUNE 2016 (IN %) — FIG: 1.5.2



Previous year's figures in brackets

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

		Q1/15	Q2/15	H1/15	Q3/15	Q4/15	2015	Q1/16	Q2/16	H1/16
De-icing										
Revenues	€ million	449.3	79.7	529.0	91.7	152.7	773.4	313.1	33.8	346.9
Sales volumes	million tonnes	6.89	1.22	8.11	1.48	2.29	11.88	4.89	0.64	5.53
Average price	€/t	65.2	65.3	65.2	61.9	66.7	65.1	64.0	52.8	62.7
Consumer, food processing, industrial and salt for chemical use										
Revenues	€ million	266.0	285.2	551.2	280.1	279.4	1,110.7	271.7	276.8	548.5
Sales volumes	million tonnes	2.23	2.37	4.60	2.26	2.38	9.23	2.24	2.25	4.49
Average price	€/t	119.4	120.5	120.0	124.1	117.5	120.3	121.5	123.1	122.2

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

DEVELOPMENT OF EARNINGS

Operating earnings EBIT I for the Salt business unit fell to € 127.4 million in the first half of the year compared with € 184.5 million in the previous year. These include depreciation and amortisation of € 55.4 million (H1/15: € 55.9 million). The decline in earnings resulted mainly from a lower sales and average price level in the de-icing salt segment.

In the quarter under review, in addition to the significant volume and price effects, higher expenses for marketing activities also contributed to the significant decline in earnings; this resulted in EBIT I of € 4.9 million (Q2/15: € 42.6 million). Such marketing activities support the brand strength of our premium products.

K+S LAUNCHES 'ASHBURTON SALT' PROJECT IN AUSTRALIA

At the end of May, K+S started the planning process for the construction of a salt production facility near Onslow in Western Australia. In a first step, K+S acquired mining licences for the Ashburton Salt project from a local group of investors.

The Ashburton Salt project is still in very early stages of development. K+S is currently preparing the required documents to apply for the necessary environmental permits and completing a feasibility study for the project. If the project proceeds to completion, annual production capacity could be 3.5 million tonnes of solar evaporation salt and around 75 direct jobs could be created at the site. The salt produced there will be mainly supplied to the chemical industry in Asia and particularly to China. K+S anticipates an estimated investment volume of around 350 million Australian dollars (approx. € 225 million) for full development of the project. The approval process is currently estimated to last until 2019. K+S will make a final investment decision on whether to build the production facility once the required permits are in place and the full feasibility study is complete.

'SALT 2020' STRATEGY ON THE RIGHT TRACK

The business unit has set itself the target of making significant improvements in its efficiency. We are also focussing on achieving further growth in selected regions and product segments. In this context, assuming normalised winter business, we are expecting an increase in operating earnings (EBIT I) to over € 250 million by 2020. This corresponds to EBITDA of over € 400 million.

COMPLEMENTARY ACTIVITIES

KEY FIGURES — TAB: 1.5.7

in € million	Q2/15	Q2/16	%	H1/15	H1/16	%
Revenues	39.6	41.8	+ 5.6	80.9	81.8	+ 1.1
– of which Waste Management and Recycling	22.4	24.0	+ 7.1	44.9	45.7	+ 1.8
– of which K+S Transport GmbH	2.9	2.4	−17.2	6.4	5.4	−15.6
– of which Animal hygiene products	9.7	9.8	+ 1.0	20.2	19.9	−1.5
– of which CFK (Trading)	4.6	5.6	+ 21.7	9.4	10.8	+ 14.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	9.0	8.4	−6.7	19.0	16.0	−15.8
Operating earnings (EBIT I)	6.7	6.2	−7.5	14.4	11.6	−19.4

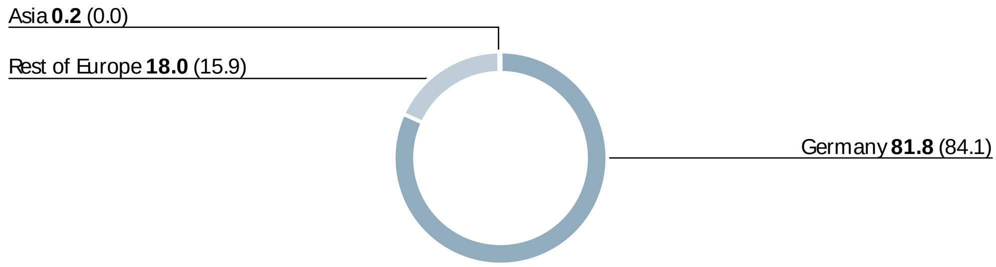
REVENUES

Complementary Activities posted third-party revenues of € 81.8 million in the first half of the year (H1/15: € 80.9 million). Total revenues amounted to € 95.5 million (H1/15: € 96.6 million). Third-party revenues generated by Complementary Activities totalled € 41.8 million in the second quarter (Q2/15: € 39.6 million), while total revenues amounted to € 48.2 million (Q2/15: € 46.7 million).

VARIANCE COMPARED WITH PREVIOUS YEAR — TAB: 1.5.8

in %	Q2/16	H1/16
Change in revenues	**+ 5.6**	**+ 1.1**
– volume/structure-related	+ 7.6	+ 2.0
– price/pricing-related	−2.0	−0.9
– currency-related	–	–
– consolidation-related	–	–

REVENUES BY REGION APRIL – JUNE 2016 (IN %) — FIG: 1.5.3



Previous year's figures in brackets

DEVELOPMENT OF EARNINGS

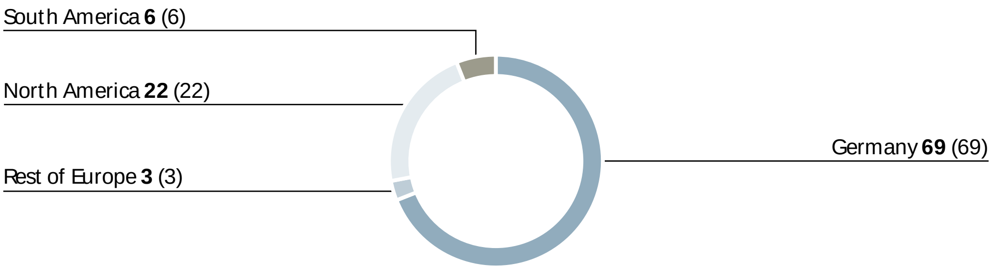
Operating earnings EBIT I fell significantly to € 11.6 million in the first six months (H1/15: € 14.4 million); these include depreciation and amortisation of € 4.4 million (H1/15: € 4.6 million). Operating earnings EBIT I amounted to € 6.2 million in the quarter under review, compared with € 6.7 million in the previous year. EBIT I included depreciation and amortisation of € 2.2 million (Q2/15: € 2.3 million). This decline in earnings is due mainly to lower product handling volumes at K+S TRANSPORT GMBH.

1.6 EMPLOYEES

NUMBER OF EMPLOYEES STABLE

As of 30 June 2016, the K+S GROUP employed a total of 14,415 people (full-time equivalents). The figure therefore remained more or less stable compared with 30 June 2015 (14,201 employees). The average number of people employed over the quarter was 14,401 (Q2/15: 14,190). Just under a third of employees are located outside Germany and more than a quarter outside Europe. The number of trainees in Germany was 464 on 30 June 2016, representing a slight drop from the previous year (30 June 2015: 479).

EMPLOYEES BY REGION AS OF 30 JUNE 2016 (IN %) FIG: 1.6.1



Previous year's figures in brackets

1.7 RESEARCH AND DEVELOPMENT

Research and development costs in the first half of the year amounted to € 6.8 million compared with € 7.3 million in the previous year; capitalised development-related expenditure amounted to € 0.2 million (H1/15: € 0.9 million). During the quarter under review, research and development costs fell to € 3.5 million from € 4.3 million in same period in the previous year. As of 30 June 2016, 82 people were employed in research and development (30 June 2015: 81).

Please see the relevant sections on page 32 of our 2015 Annual Report for a detailed description of research and development activities; the goals and areas of focus described there continue to apply.

1.8 RISK AND OPPORTUNITY REPORT

Please see the relevant comments from page 51 onwards and from page 102 onwards in our 2015 Annual Report for a detailed description of the risk and opportunity management system as well as potential risks. The risks and opportunities described there remain largely unchanged as of 30 June 2016.

The assessment of the risk for an observation period of three years described on page 107 of the 2015 Annual Report regarding the refusal of official permits for the disposal of liquid production residues has been reassessed and still holds true. A reduction in disposal was considered possible at that time (probability: 5-50%) with significant financial impact (>€ 200 million). The financial impact of production suspensions this year resulting from a lack of deep-well injection volumes is reflected in the forecast for 2016, which is shown on pages 16-18.

The risk assessment on page 109 of the 2015 Annual Report regarding the Legacy Project also holds true following the damage on 17 July 2016. We are currently assuming that although the likelihood of materialisation and extent of damage have increased, they will remain within the same ranges (probability: 5-50%; financial impact: € 10-200 million); assessment of the extent of the damage is still in the early stages.

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

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

1.9 SUBSEQUENT EVENTS

On 14 July 2016, K+S signed a contract to take over the activities of HULUDAO MAGPOWER FERTILIZERS CO., LTD. (MAGPOWER), the Chinese manufacturer of magnesium sulphate fertilizers.

On 17 July 2016, a processing vessel became detached from its mounting during a routine test at the Legacy site and fell to the floor causing considerable damage to property. No employees were injured. Intensive efforts have already been made together with the partners (including insurance companies) involved to assess and repair the damage.

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

1.10 FORECAST REPORT

FUTURE MACROECONOMIC SITUATION

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

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT — TAB: 1.10.1

in %; real	2012	2013	2014	2015	2016e
Germany	+ 0.6	+ 0.4	+ 1.6	+ 1.5	+ 1.6
European Union (EU–28)	–0.4	+ 0.3	+ 1.5	+ 2.0	+ 1.8
World	+ 3.5	+ 3.3	+ 3.4	+ 3.1	+ 3.1

Source: IMF

The INTERNATIONAL MONETARY FUND is forecasting a growth rate of 3.1% in global gross domestic product for 2016. The rate of expansion in the developed countries should increase slightly in view of the continued expansionary monetary policy and lower energy costs. In the emerging market countries, the consistently low price level for raw materials and certain structural problems may restrict prospects for growth.

No direct impact of particular note on K+S is expected in the event of a UK exit from the European Union. The revenue share of the United Kingdom in the total revenues of the K+S GROUP is in the low single-digit percentage range.

FUTURE INDUSTRY SITUATION

The medium- to long-term trends described on pages 114-115 of the 2015 Annual Report, which positively influence the demand for K+S GROUP products, still apply.

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

For 2016, we are expecting global potash demand slightly below the 2015 level (around 66 million tonnes including around 4 million tonnes of potassium sulphate and potash grades with a lower mineral content). The contracts signed by the major potash suppliers with Chinese and Indian customers halfway through the year should stimulate global demand in the second half of the year. Recovery in the prices of a large number of agricultural products should also give the agriculture industry incentives to increase yield per hectare by making greater use of plant nutrients in the medium- and long-term. This is accompanied by a sustained economic slowdown and continued high product availability in some overseas regions. The prices of fertilizer specialties, such as potassium sulphate (SOP), for example, are still at a good level, but are also affected by the general downward price trend among plant nutrients.

SALT BUSINESS UNIT

Inventories of de-icing salt in North America and Europe are relatively high due to the mild winter in 2015/2016. This had a negative impact on demand and prices in the early fills business and the ongoing tenders for the upcoming winter season. In North America, we are expecting sustained positive development in the consumer and food processing sectors, particularly in the premium segment. Sales of pharmaceutical salts should continue to grow as the population continues ageing. Demand for salt for chemical use and industrial salt in particular should increase in North America. High de-icing salt availability among European producers should lead to greater competition in the salt for chemical use business here. Overall, the consumption of salts, which are not used for road safety, should increase slightly over the whole year.

FUTURE EARNINGS, FINANCIAL AND ASSET POSITION

The review of the application submitted by K+S to the Kassel Regional Council in April 2015 concerning deep well disposal until the end of 2021 is still ongoing. At the end of 2015, K+S expected the technical review to be completed in the summer of this year. Under the terms of the current temporary permit, only a limited volume of saline wastewater can be injected underground. This means that the disposal of production and tailings pile wastewater is dependant on the flow of water in the Werra river. How much can be discharged into the river at what time is determined by official threshold values. Thus, if the flow of water in the Werra is low, less wastewater can be discharged.

In spite of efficient wastewater management using available storage basins, production limitations at individual Werra plant sites were unavoidable in the first half of the year due to dryer months. Also, further production suspensions cannot be ruled out for the rest of the year.

Our assessment for 2016 as a whole is based mainly on the following main assumptions:

+ Potash and Magnesium Products business unit
  + After the average price in the first half of 2016 experienced a sharp fall due to overall higher product availability (2015: € 307/t; Q2/16: € 250/t), we are assuming stabilisation at the current level over the year as a whole. Product mix effects, which also occur as a result of interruptions to production, may lead to deviations in the individual quarters.
  + For the remainder of the year a hydrological normal year and a short-term feasibility of measures to improve the production capabilities of the Werra combined plant was anticipated.
  + Depending on whether or when a permit of additional injection volumes is granted, costs and expected sales volumes of the business unit could be affected. We anticipate a sales volume of about 6.2 to 6.4 million tonnes.
+ Salt business unit
  + Mild weather conditions in the previous winter should lead to a moderate decline in sales volumes for de-icing salt in 2016 (2015: 12 million tonnes). We are assuming sales volumes for the rest of the year based on the long-term average. The slight increase in sales of salts, which are not used for road safety, may not offset this completely (2015: 9 million tonnes).
+ K+S Group
  + Average exchange rate for the year of EUR/USD 1.11 (2015: EUR/USD 1.11).

REVENUES AND EARNINGS FORECAST

The revenues of the K+S GROUP should be between € 3.5 and 3.7 billion in the 2016 financial year (2015: € 4.2 billion). We are anticipating EBITDA of between € 500 and 600 million and EBIT I of between € 200 and 300 million (2015: € 1.1 billion and € 782 million respectively). The decline in operating earnings compared with the previous year relates particularly to the Potash and Magnesium Products business unit. In addition to a significant decrease in the average price, the production limitations resulting from the lack of a comprehensive injection permit to date have a negative impact on the result. In the Salt business unit, we are assuming a tangible decline due to the mild weather in the previous winter season.

Cost consciousness within the Group has become even more important particularly in the light of the challenges described. We are continuing with the ‘Fit for the Future’ project and are working on sustainable improvements to cost and organisational structures with the aim of increasing the efficiency of production, sales and administrative functions. We are still striving for total cost savings of € 500 million between 2014 and 2016 compared with previous planning for this period. The programme is set to make a positive effect that goes beyond the originally planned contribution in 2016.

Adjusted Group earnings after taxes should follow the trend in operating earnings and thus be at a figure of between € 100 and 180 million (2015: € 542 million).

ANTICIPATED FINANCIAL POSITION AND PLANNED CAPITAL EXPENDITURE

CAPITAL EXPENDITURE MODERATELY LOWER

In spite of potential additional investments in the context of measures to secure production at the Werra plant and the as yet unknown impact of the Legacy Project incident, the capital expenditure of the K+S GROUP for 2016 should remain moderately below the level in the previous year (2015: € 1.3 billion). In the Potash and Magnesium Products business unit, most of the expenditure again relates to the completion of the Legacy Project as well as to investment for reducing the occurrence of saline water in the Hesse-Thuringia potash district. Overall, the amount is expected to be significantly below the level in the previous year (2015: € 1.1 billion). Capital expenditure in the Salt business unit should increase significantly even though the absolute change in relation to Group investment is low (2015: € 0.1 billion). The adjusted free cash flow of the K+S GROUP is therefore likely to be significantly negative again (2015: € – 636 million). The return on capital employed (ROCE) should be significantly lower than the level in the previous year due to a larger amount of capital being tied up as well as the sharp decline in earnings (2015: 12.5%). Based on the assumptions described, the Potash and Magnesium Products business unit in particular is likely to report ROCE that is significantly below the level in the previous year (2015: 14.4%). There should be a tangible decrease in the value of the Salt business unit (2015: 11.4%).

EXPECTED DEVELOPMENT OF DIVIDENDS

SIGNIFICANT DECLINE IN DIVIDENDS

Our earnings-based dividend policy is basically reflected in a payout ratio of 40% to 50% of adjusted Group earnings after taxes. The expectation of Group earnings that are down significantly on the previous year should be reflected accordingly in a significantly lower dividend payment (2015: € 1.15).

MEDIUM-TERM FORECAST

TARGET EBITDA OF AROUND € 1.6 BILLION IN 2020 REMAINS UNCHANGED

In spite of the numerous challenges in the current year, we are still optimistic to achieve our target of Group EBITDA of around € 1.6 billion in 2020.

The Legacy Project in particular, but also the high expectations of increased profitability in our Salt business in the context of the 'Salt 2020' strategy, provide positive encouragement.

We do not believe that the current dip in the potash market will last as the medium-term and long-term growth trends remain intact. Consequently, in addition to unaffected operations of our potash plants in Germany and Canada, we are assuming a return to the same potash price level as in the summer of 2015 (when the target was released). Also, we expect the EBITDA target to be reached in the context of the 'Salt 2020' strategy pursued by the Salt business unit of over € 400 million based on the assumption of a normal winter.

DEVELOPMENT OF FORECASTS FOR THE WHOLE OF 2016 TAB: 1.10.2

		ACTUAL 2015	2015 Annual Report forecast	Forecast Q1/16	Forecast Q2/16
K+S Group					
Revenues	€ billion	4.18	moderate decrease	moderate decrease	3.50 – 3.70
EBITDA	€ million	1.06	significant decrease	significant decrease	500 – 600
Operating earnings (EBIT I)	€ million	781.6	significant decrease	significant decrease	200 – 300
Group earnings after taxes, adjusted [1]	€ million	542.3	significant decrease	significant decrease	100 – 180
Capital expenditure [2]	€ million	1,278.8	moderately below previous year	moderately below previous year	moderately below previous year
Adjusted free cash flow	€ million	–635.9	significantly negative	significantly negative	significantly negative
ROCE	%	12.5	tangible decrease	tangible decrease	significant decrease
EUR/USD exchange rate	EUR/USD	1.11	1.10	1.10	1.11
Potash and Magnesium Products business unit					
Sales volumes	million tonnes	6.8	slightly below previous year	slightly below previous year	6.2 – 6.4
Salt business unit					
Sales volumes crystallised salt	million tonnes	21.1	moderate decrease	moderate decrease	moderate decrease
– of which consumer, food processing, industrial salt and salt for chemical use	million tonnes	9.2	moderate increase	moderate increase	slight increase

[1] The adjusted key figures include the result from operating forecast hedges in the respective reporting period, which eliminates effects from fluctuations in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project). Related effects on deferred and cash taxes are also eliminated; tax rate in Q2/16: 29.0% (Q2/15: 28.6%).

[2] Capital expenditure on property, plant and equipment, intangible assets and investment properties.

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

To the best of our knowledge and in accordance with the applicable accounting principles for interim reporting, the interim consolidated financial statements give a true and accurate 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.

8 August 2016
K+S Aktiengesellschaft
Board of Executive Directors

2

2.1 INCOME STATEMENT

INCOME STATEMENT [1] TAB: 2.1.1

in € million	Q2/15	Q2/16	H1/15	H1/16	12M/15	LTM[2]/16
Revenues	**914.4**	**732.1**	**2,291.5**	**1,827.6**	**4,175.5**	**3,711.6**
Cost of sales	478.2	464.3	1,207.1	1,038.0	2,260.5	2,091.4
Gross profit	**436.2**	**267.8**	**1,084.4**	**789.6**	**1,915.0**	**1,620.2**
Selling expenses	183.1	165.1	432.1	377.0	824.5	769.4
General administrative expenses	54.5	49.7	105.6	101.2	218.1	213.7
Research and development costs	4.3	3.5	7.3	6.8	14.7	14.1
Other operating income	34.4	23.8	88.7	51.7	180.6	143.5
Other operating expenses	33.9	48.8	103.1	100.0	200.6	197.5
Income from investments, net	2.3	0.6	2.6	1.5	5.7	4.6
Result from operating forecast hedges	30.6	−9.7	−31.8	51.2	−127.8	−44.8
Result after operating hedges (EBIT II) [3]	**227.7**	**15.4**	**495.8**	**309.0**	**715.6**	**528.8**
Interest income	2.3	1.6	4.9	2.9	10.0	8.0
Interest expenses	15.6	13.1	61.4	22.8	52.5	13.9
Other financial result	−0.4	−3.5	2.3	−8.4	8.8	−1.9
Financial result	**−13.7**	**−15.0**	**−54.2**	**−28.3**	**−33.7**	**−7.8**
Earnings before income taxes	**214.0**	**0.3**	**441.6**	**280.7**	**681.9**	**521.0**
Taxes on income	60.6	0.1	124.5	79.2	186.5	141.2
– of which deferred taxes	7.5	−3.7	2.2	13.2	−18.7	−7.7
Net income	**153.3**	**0.2**	**317.0**	**201.5**	**495.4**	**379.9**
Minority interests in overall result	0.1	0.1	0.1	0.1	0.2	0.2
Group earnings after taxes and minority interests	**153.3**	**0.1**	**316.9**	**201.4**	**495.2**	**379.7**
Earnings per share in € (undiluted ≙ diluted)	**0.80**	**–**	**1.66**	**1.05**	**2.59**	**1.98**
Average number of shares (in millions)	191.4	191.4	191.4	191.4	191.4	191.4
Operating earnings (EBIT I)	**179.2**	**15.0**	**495.9**	**233.3**	**781.6**	**519.0**
Earnings before income taxes, adjusted [4]	**165.5**	**−0.2**	**441.7**	**205.0**	**747.9**	**511.2**
Group earnings, adjusted [4]	**118.7**	**−0.2**	**317.0**	**147.7**	**542.3**	**373.0**
Earnings per share in €, adjusted [4]	**0.62**	**–**	**1.66**	**0.77**	**2.83**	**1.94**

[1] Rounding differences may arise in percentages and numbers.
[2] LTM = last twelve months (Q3/15 + Q4/15 + Q1/16 + Q2/16).
[3] The K+S Group is managed, inter alia, on the basis of operating earnings (EBIT I). Reconciliation of EBIT II to operating earnings (EBIT I) is recorded in Table 2.1.3.
[4] The adjusted key figures only include the result from operating forecast hedges in the respective reporting period reported in EBIT I, which eliminates effects from changes in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project). Related effects on deferred and cash taxes are also eliminated; tax rate for Q2/16: 29.0% (Q2/15: 28.6%).

STATEMENT OF COMPREHENSIVE INCOME [1]

TAB: 2.1.2

in € million	Q2/15	Q2/16	H1/15	H1/16	12M/15	LTM[2]/16
Net income	**153.3**	**0.2**	**317.0**	**201.5**	**495.4**	**379.9**
Items that may be reclassified subsequently as profit or loss	**−101.9**	**140.8**	**183.3**	**123.3**	**−1.9**	**−61.9**
Financial assets available for disposal	−0.9	–	−0.6	–	−3.5	−2.9
Difference resulting from foreign currency translation	−101.0	140.8	183.9	123.3	1.6	−59.0
– of which change in unrealised gains/losses	−101.0	140.8	183.9	123.3	1.6	−59.0
– of which realised gains/losses	–	–	–	–	–	–
Items that will not be reclassified as profit or loss	**10.5**	**−25.6**	**12.3**	**−32.0**	**−0.3**	**−44.6**
Revaluation of net debt/defined benefit pension plan assets	10.5	−25.6	12.3	−32.0	−0.3	−44.6
Other income after taxes	**−91.4**	**115.2**	**195.6**	**91.3**	**−2.2**	**−106.5**
Overall result for the period	**61.9**	**115.4**	**512.6**	**292.8**	**493.2**	**273.4**
Minority interests in overall result	**–**	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**
Overall Group result after taxes and minority interests	**61.9**	**115.3**	**512.5**	**292.7**	**493.0**	**273.2**

OPERATING EARNINGS (EBIT I) [1]

TAB: 2.1.3

in € million	Q2/15	Q2/16	H1/15	H1/16	12M/15	LTM[2]/16
Result after operating hedges (EBIT II)	**227.7**	**15.4**	**495.8**	**309.0**	**715.6**	**528.8**
Income (–)/expenses (+) from market value changes of operating forecast hedges still outstanding	−39.2	18.0	16.7	−41.3	85.5	27.5
Neutralisation of market value fluctuations recorded in prior periods for realised operating forecast hedges	−6.8	−14.8	−12.4	−30.8	−22.0	−40.4
Realised income (–)/expenses (+) arising from currency hedging for capital expenditure in Canada	−2.5	−3.6	−4.2	−3.6	2.5	3.1
Operating earnings (EBIT I)	**179.2**	**15.0**	**495.9**	**233.3**	**781.6**	**519.0**

[1] Rounding differences may arise in percentages and numbers.
[2] LTM = last twelve months (Q3/15 + Q4/15 + Q1/16 + Q2/16).

2.2 CASH FLOW STATEMENT

CASH FLOW STATEMENT [1] TAB: 2.2.1

in € million	Q2/15	Q2/16	H1/15[3]	H1/16	12M/15	LTM[2]/16
Result after operating hedges (EBIT II)	**227.7**	**15.4**	**495.8**	**309.0**	**715.6**	**528.8**
Income (–)/expenses (+) from market value changes of operating forecast hedges still outstanding	−39.2	18.0	16.7	−41.3	85.5	27.5
Neutralisation of market value fluctuations recorded in prior periods for realised operating forecast hedges	−6.8	−14.8	−12.4	−30.8	−22.0	−40.4
Realised income (–)/expenses (+) arising from hedging of anticipated capital expenditure in Canada	−2.5	−3.6	−4.2	−3.6	2.5	3.1
Operating earnings (EBIT I)	**179.2**	**15.0**	**495.9**	**233.3**	**781.6**	**519.0**
Depreciation and amortisation (+)/write-ups (–) on intangible assets, property, plant and equipment and financial assets	68.1	68.5	134.4	135.5	275.9	277.0
Increase (+)/decrease (–) in non-current provisions (without interest rate effects)	−15.7	−2.9	−13.7	−0.4	−25.5	−12.2
Interests and dividends received and similar income	2.3	1.2	5.8	2.9	10.0	7.1
Gains (+)/losses (–) from the realisation of financial assets/liabilities	−0.9	−11.4	14.4	−17.2	37.6	6.0
Interest paid (–)	−15.5	−17.3	−16.3	−17.9	−54.0	−55.6
Income taxes paid (–)	−41.7	−47.5	−82.1	−83.5	−191.9	−193.3
Other non-cash expenses (+)/income (–)	1.4	−1.3	0.6	−0.9	1.6	0.1
Gross cash flow	**177.2**	**4.2**	**539.0**	**251.8**	**835.3**	**548.1**
Gain (–)/loss (+) on the disposal of fixed assets and securities	−1.3	–	−1.4	0.3	−3.2	−1.5
Increase (–)/decrease (+) in inventories	−100.6	−46.2	14.9	4.2	−107.4	−118.1
Increase (–)/decrease (+) in receivables and other assets from operating activities	134.4	153.4	−12.6	196.9	−40.6	168.9
Increase (+)/decrease (–) in liabilities from operating activities	−0.8	12.4	−96.1	−51.4	−44.0	0.7
Increase (+)/decrease (–) in current provisions	−84.6	−58.3	−18.0	−40.5	32.8	10.3
Out-financing of plan assets	–	−0.1	−2.6	−2.1	−3.5	−3.0
Cash flow from operating activities	**124.3**	**65.4**	**423.2**	**359.2**	**669.4**	**605.4**
Proceeds from disposals of fixed assets	1.8	0.7	2.8	1.1	5.3	3.6
Disbursements for intangible assets	−0.8	−0.6	−1.6	−1.2	−5.6	−5.2
Disbursements for fixed assets	−321.8	−289.0	−517.1	−532.2	−1,303.9	−1,319.0
Disbursements for financial assets	−0.2	−4.4	−0.2	−4.4	−1.1	−5.3
Proceeds from the disposal of securities and other financial investments	295.9	0.2	518.3	24.1	725.3	231.1
Disbursements for the purchase of securities and other financial investments	−26.5	−7.0	−160.4	−7.3	−195.8	−42.7
Cash flow from investment activities	**−51.6**	**−300.1**	**−158.2**	**−519.9**	**−775.8**	**−1,137.5**
Free cash flow	**72.7**	**−234.7**	**265.0**	**−160.7**	**−106.4**	**−532.1**
Dividends paid	−172.3	−220.1	−172.3	−220.1		
Disbursements for the acquisition of non-controlling interests	–	–	–	–		
Payments from other allocations to equity	2.6	2.4	2.6	2.4		
Purchase of own shares	3.1	−2.9	−3.1	−2.9		
Sales of own shares	–	0.4	–	0.4		
Repayment (–) of financial liabilities	−0.4	−0.8	−0.9	−30.2		
Assumption (+) of financial liabilities	–	499.1	–	608.5		
Cash flow from financing activities	**−167.0**	**278.1**	**−173.7**	**358.1**		
Change in cash and cash equivalents affecting cash flow	**−94.3**	**43.4**	**91.3**	**197.4**		
Change in cash and cash equivalents resulting from exchange rates	−7.0	1.2	10.5	0.8		
Change in cash and cash equivalents resulting from consolidation	–	–	–	–		
Change in cash and cash equivalents	**−101.3**	**44.6**	**101.8**	**198.2**		
Net cash and cash equivalents as of 1 January	**–**	**–**	**370.3**	**118.5**		
Net cash and cash equivalents as of 30 June	**–**	**–**	**472.1**	**316.7**		
– of which cash on hand and bank balances	–	–	478.5	321.9		
– of which cash invested with affiliated companies	–	–	0.5	0.1		
– of which cash received from affiliated companies	–	–	−6.9	−5.3		

[1] Rounding differences may arise in percentages and numbers.
[2] LTM = last twelve months (Q3/15 + Q4/15 + Q1/16 + Q2/16).
[3] Previous year's figures have been adjusted. Further detailed explanation of the adjustment can be found in the Notes on page 30.

2.3 BALANCE SHEET

BALANCE SHEET – ASSETS [1] TAB: 2.3.1

in € million	30 June 2015 [2]	31 December 2015	30 June 2016
Intangible assets	1,070.8	1,068.3	1,045.2
– of which goodwill from acquisitions of companies	721.5	725.9	721.1
Property, plant and equipment	4,733.5	5,054.8	5,714.1
Investment properties	6.4	6.4	6.4
Financial assets	13.8	14.1	18.5
Other financial assets	137.0	112.1	111.3
Other non-financial assets	0.1	3.8	–
Securities and other financial investments	84.5	–	7.0
Deferred taxes	54.4	98.9	75.0
Claims for income tax refunds	0.1	0.1	0.1
Non-current assets	**6,100.6**	**6,358.5**	**6,977.6**
Inventories	583.6	705.3	698.8
Accounts receivable – trade	665.1	708.6	519.0
Other financial assets	160.4	101.2	130.9
Other non-financial assets	130.3	160.1	143.3
Claims for income tax refunds	69.4	76.8	64.4
Securities and other financial investments	124.4	40.0	15.9
Cash on hand and bank balances	478.5	123.1	321.9
Current assets	**2,211.7**	**1,915.1**	**1,894.2**
ASSETS	8,312.3	8,273.6	8,871.8

BALANCE SHEET – EQUITY AND LIABILITIES [1] TAB: 2.3.2

in € million	30 June 2015 [2]	31 December 2015	30 June 2016
Subscribed capital	191.4	191.4	191.4
Capital reserve	645.7	646.5	645.7
Other reserves and accumulated profit	3,475.7	3,456.5	3,529.3
Total K+S AG shareholders' equity	4,312.8	4,294.4	4,366.4
Minority interests	1.1	1.2	1.3
Equity	**4,313.9**	**4,295.6**	**4,367.7**
Financial liabilities	1,513.9	1,514.9	2,113.2
Other financial liabilities	28.2	40.7	14.2
Other non-financial liabilities	5.1	6.3	7.3
Provisions for pensions and similar obligations	154.4	166.1	216.2
Provisions for mining obligations	999.6	870.1	883.1
Other provisions	147.9	144.2	144.1
Deferred taxes	276.3	294.5	274.4
Non-current debt	**3,125.4**	**3,036.8**	**3,652.5**
Financial liabilities	6.0	28.8	9.4
Accounts payable – trade	231.6	306.0	252.4
Other financial liabilities	98.2	94.9	75.5
Other non-financial liabilities	33.4	24.9	40.6
Income tax liabilities	96.6	81.0	50.4
Provisions	407.2	405.6	423.3
Current debt	**873.0**	**941.2**	**851.6**
EQUITY AND LIABILITIES	8,312.3	8,273.6	8,871.8

[1] Rounding differences may arise in percentages and numbers.
[2] Change in the reporting of the restoration obligation (above ground): € 54.3 million was reclassified from long-term mining provisions to other long-term provisions.

2.4 STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY [1] TAB: 2.4.1

in € million	Subscribed capital	Capital reserve	Accumulated profit/ revenue reserves	Differences from exchange rate conversion	Financial assets available for disposal	Revaluations of defined benefit pension plans	Total Equity held by the shareholders of K+S AG	Shares held by other share-holders	Equity capital
Balance as of 1 January 2016	191.4	646.5	3,265.9	288.9	–	−98.3	4,294.4	1.2	4,295.6
Net income	–	–	201.4	–	–	–	201.4	0.1	201.5
Other income after taxes	–	–	–	123.3	–	−32.0	91.3	–	91.3
Overall result for the period	**–**	**–**	**201.4**	**123.3**	**–**	**−32.0**	**292.7**	**0.1**	**292.8**
Dividend for the previous year	–	–	−220.1	–	–	–	−220.1	–	−220.1
Issuance of shares to employees	–	−0.8	–	–	–	–	−0.8	–	−0.8
Other changes in equity	–	–	0.2	–	–	–	0.2	–	0.2
Balance as of 30 June 2016	**191.4**	**645.7**	**3,247.4**	**412.2**	**–**	**−130.3**	**4,366.4**	**1.3**	**4,367.7**
Balance as of 1 January 2015	191.4	646.5	2,939.0	287.3	3.5	−98.0	3,969.7	4.8	3,974.5
Net income	–	–	316.9	–	–	–	316.9	0.1	317.0
Other income after taxes	–	–	–	183.9	−0.6	12.3	195.6	–	195.6
Overall result for the period	**–**	**–**	**316.9**	**183.9**	**−0.6**	**12.3**	**512.5**	**0.1**	**512.6**
Dividend for the previous year	–	–	−172.3	–	–	–	−172.3	–	−172.3
Issuance of shares to employees	–	−0.8	–	–	–	–	−0.8	–	−0.8
Transactions with non-controlling interests	–	–	3.8	–	–	–	3.8	−3.8	–
Other changes in equity	–	–	−0.1	–	–	–	−0.1	–	−0.1
Balance as of 30 June 2015	**191.4**	**645.7**	**3,087.3**	**471.2**	**2.9**	**−85.7**	**4,312.8**	**1.1**	**4,313.9**

[1] Rounding differences may arise in percentages and numbers.

2.5 NOTES

EXPLANATORY NOTES

The interim report of 30 June 2016 has been prepared in accordance with the International Financial Reporting Standards (IFRS), insofar as these have been recognised by the European Union. The report is prepared as abridged financial statements with selected explanatory notes as stipulated by IAS 34. The accounting and valuation methods applied in the interim report are the same as those applied in the 2015 Consolidated Financial Statements.

Foreign currency assets and debts are translated at the exchange rate applicable on the balance sheet date. Income and expenses are translated applying the average exchange rates for the quarter.

AUDITOR'S REVIEW

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

CHANGES IN THE SCOPE OF CONSOLIDATION

There were no material changes in the scope of consolidation in the second quarter of 2016.

SEASONAL FACTORS

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

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

in € million	2015	LTM 2016[1]
Revenues	4,175.5	3,711.6
EBITDA	810.2	795.9
EBIT I	781.6	519.0
Group earnings, adjusted	542.3	373.0

[1]LTM = last twelve months (Q3/15 + Q4/15 + Q1/16 + Q2/16).

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

Any such information can be found in our Subsequent Events section on page 16.

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	Q2/15	Q2/16	H1/15	H1/16
Gains/losses on foreign exchange rates	−3.8	−2.9	0.3	−3.6
Change in provisions	19.2	8.2	20.1	11.4
Other	−14.9	−30.4	−34.7	−56.2
Other operating income/expenses	**0.5**	**−25.1**	**−14.3**	**−48.4**

FINANCIAL RESULT

The financial result includes the following significant items:

FINANCIAL RESULT — TAB: 2.5.3

in € million	Q2/15	Q2/16	H1/15	H1/16
Interest income	2.3	1.6	4.9	2.9
Interest expenses	−15.6	−13.1	−61.4	−22.8
– of which: interest expenses for pension provisions	−1.3	−1.3	−2.6	−2.6
– of which: interest expenses for mining obligations	−7.4	−7.0	−38.4	−14.0
Interest income, net	**−13.3**	**−11.5**	**−56.5**	**−19.9**
Income from the realisation of financial assets/liabilities	−3.3	−11.3	14.5	−17.2
Income from the valuation of financial assets/debts	2.9	7.8	−12.2	8.8
Other financial result	**−0.4**	**−3.5**	**2.3**	**−8.4**
Financial result	**−13.7**	**−15.0**	**−54.2**	**−28.3**

INTEREST RATE FOR PROVISIONS

The actuarial valuation of pension provisions uses the projected unit credit method in accordance with IAS 19. The average weighted interest rate for pensions and similar obligations was 2.8% on the reporting date (30 June 2015: 3.2%, 31 December 2015: 3.1%). The average weighted discount factor for mining obligations was 3.5% as of 30 June 2016 (30 June 2015: 3.3%, 31 December 2015: 3.5%).

TAXES ON INCOME

The following key items are included in taxes on income:

TAXES ON INCOME — TAB: 2.5.4

in € million	Q2/15	Q2/16	H1/15	H1/16
Corporate income tax	24.5	−1.2	53.4	20.5
Trade tax on income	19.7	0.3	43.3	16.8
Foreign taxes on income	8.9	4.7	25.6	28.7
Deferred taxes	7.5	−3.7	2.2	13.2
Taxes on income	**60.6**	**0.1**	**124.5**	**79.2**

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

FINANCIAL INSTRUMENTS

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

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS TAB: 2.5.5

in € million	Valuation category according to IAS 39	30 June 2015 Carrying amount	30 June 2015 Fair value	30 June 2016 Carrying amount	30 June 2016 Fair value
Investments in affiliated companies and equity interests	Available for disposal	13.2	13.2	18.1	18.1
Loans	Loans and receivables	0.5	0.5	0.4	0.4
Financial assets		**13.8**	**13.8**	**18.5**	**18.5**
Accounts receivable – trade	**Loans and receivables**	**665.1**	**665.1**	**519.0**	**519.0**
Derivatives	Held for trade	92.3	92.3	49.0	49.0
Other non-derivative financial assets	Loans and receivables	205.2	205.2	193.2	193.2
Other financial assets		**297.5**	**297.5**	**242.2**	**242.2**
Securities and other financial investments	**Loans and receivables**	**155.1**	**155.3**	**15.9**	**16.8**
Securities and other financial investments	**Available for disposal**	**53.8**	**53.8**	**7.0**	**7.0**
Cash on hand and bank balances	**Loans and receivables**	**478.5**	**478.5**	**321.9**	**321.9**
Financial liabilities	**Financial liabilities at amortised cost**	**1,519.9**	**1,695.6**	**2,122.6**	**2,304.0**
Accounts payable – trade	**Financial liabilities at amortised cost**	**231.6**	**231.6**	**252.3**	**252.3**
Derivatives	Held for trade	75.2	75.2	35.5	35.5
Other non-derivative financial liabilities	Financial liabilities at amortised cost	48.3	48.3	49.3	49.3
Liabilities from finance leases	IFRS 7	3.0	3.0	4.9	4.9
Other financial liabilities		**126.5**	**126.5**	**89.7**	**89.7**

The fair values of the financial instruments were generally 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 classified based on prices quoted on active markets for identical assets and liabilities. In Level 2, financial instruments are valued using input factors that can be derived from observable market data, or based on market prices for similar instruments. Level 3 financial instruments are calculated on the basis of input factors that cannot be derived from observable market data. As of 30 June 2016, financial assets held for trading amounting to € 49.0 million and financial liabilities held for trading amounting to € 35.5 million are to be allocated to Level 2 of the fair value hierarchy. Securities and other financial investments in the 'Available for disposal' category are based on valuations 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 2015 consolidated financial statements, the balance sheet total as of 30 June 2016 rose by € 598.2 million.

On the asset side, non-current assets increased by € 619.0 million and current assets fell by € 20.8 million. The rise in non-current assets is due essentially to an increase in property, plant and equipment resulting from the increased investment in the Legacy Project. The fall in current assets is largely due to a reduction in Accounts receivable – trade. This is accompanied by an increase in Cash and cash equivalents.

On the equity and liabilities side, equity rose by € 72.1 million. Non-current debt increased by € 615.7 million. The main reason for this is the issue of a 'Schuldschein' (promissory note) of € 600 million. Current debt fell by € 89.6 million. This decrease is due to a reduction in Accounts payable – trade and Income tax liabilities.

MATERIAL CHANGES IN EQUITY

Equity is influenced by transactions with and without recognition in profit or loss, as well as by capital transactions with shareholders. Compared with the 2015 annual financial statements, accumulated profit and other reserves increased by € 72.8 million. The increase is due to the positive net income in the first half of the 2016 financial year. Furthermore, changes in equity not recognised in profit or loss resulting from foreign currency translation by subsidiaries in functional currencies (primarily the Canadian 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

€ 123.3 million as of 30 June 2016 due to exchange rate fluctuations. Dividend payments totalling € 220.1 million had a particular impact on reducing equity.

CONTINGENT LIABILITIES

There have been no significant changes in contingent liabilities in comparison with the 2015 annual financial statements and they can generally be classified as immaterial.

AFFILIATED COMPANIES AND RELATED PARTIES

Within the K+S GROUP, deliveries are made and services provided in accordance with standard market terms. Besides transactions between K+S GROUP companies, business relations are maintained with non-consolidated subsidiaries as well as with companies over which the K+S GROUP can exercise a significant influence (associated companies). Such relationships have no significant influence on the consolidated financial statements of the K+S GROUP. In the K+S GROUP, related parties are mainly the members of the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT. There were no material transactions with this circle of persons.

TOTAL REVENUES Q2

TAB: 2.5.6

in € million	Third-party revenues	Intersegment revenues	Total revenues
Potash and Magnesium Products business unit	370.9	22.0	392.9
Salt business unit	319.2	2.0	321.2
Complementary Activities	41.8	6.5	48.3
Reconciliation	0.2	−30.5	−30.3
K+S Group Q2/16	**732.1**	**–**	**732.1**
Potash and Magnesium Products business unit	500.5	19.6	520.1
Salt business unit	374.0	1.5	375.5
Complementary Activities	39.6	7.2	46.7
Reconciliation	0.3	−28.3	−28.0
K+S Group Q2/15	**914.4**	**–**	**914.3**

TOTAL REVENUES H1

TAB: 2.5.7

in € million	Third-party revenues	Intersegment revenues	Total revenues
Potash and Magnesium Products business unit	831.4	43.2	874.6
Salt business unit	913.8	4.3	918.1
Complementary Activities	81.8	13.7	95.5
Reconciliation	0.6	−61.2	−60.6
K+S Group H1/16	**1,827.6**	**–**	**1,827.6**
Potash and Magnesium Products business unit	1,108.9	40.1	1,149.0
Salt business unit	1,101.0	2.8	1,103.8
Complementary Activities	80.9	15.8	96.6
Reconciliation	0.7	−58.7	−58.0
K+S Group H1/15	**2,291.5**	**–**	**2,291.4**

NOTES TO THE CASH FLOW STATEMENT

CHANGE IN REPORTING CASH FLOW STATEMENT

TAB: 2.5.8

in € million	H1/2015 new	H1/2015 old	2015 Delta	H1/2016
Gains (+)/losses (–) from the realisation of financial assets/liabilities	14.4	18.6	−4.2	−17.2
Gross cash flow	**539.0**	**543.2**	**−4.2**	**251.8**
Increase (–)/decrease (+) in receivables and other assets from operating activities	−12.6	−0.5	−12.1	196.9
Increase (+)/decrease (–) in liabilities from operating activities	−96.1	−96.1	–	−51.4
Cash flow from operating activities	**423.2**	**439.5**	**−16.3**	**359.2**
Disbursements for fixed assets	−517.1	−533.4	16.3	−532.2
Cash flow from investment activities	**−158.2**	**−174.5**	**16.3**	**−519.9**

2.6 SUMMARY BY QUARTER

REVENUES AND OPERATING EARNINGS (IFRS) TAB: 2.6.1

in € million	Q1/15	Q2/15	H1/15	Q3/15	Q4/15	2015	Q1/16	Q2/16	H1/16
Potash and Magnesium Products business unit	608.4	500.5	1,108.9	471.4	511.0	2,091.3	460.5	370.9	831.4
Salt business unit	727.0	374.0	1,101.0	381.8	442.4	1,925.2	594.6	319.2	913.8
Complementary Activities	41.3	39.6	80.9	38.0	38.8	157.7	40.0	41.8	81.8
Reconciliation	0.4	0.3	0.7	0.2	0.4	1.3	0.4	0.2	0.6
K+S Group revenues	**1,377.1**	**914.4**	**2,291.5**	**891.4**	**992.6**	**4,175.5**	**1,095.5**	**732.1**	**1,827.6**
Potash and Magnesium Products business unit	217.2	179.0	396.2	127.2	165.8	689.2	137.1	50.4	187.4
Salt business unit	169.6	70.8	240.4	70.6	70.0	381.0	150.0	32.8	182.8
Complementary Activities	10.0	9.0	19.0	8.0	8.0	35.0	7.5	8.4	16.0
Reconciliation	−13.7	−11.5	−25.3	−6.5	−16.0	−47.7	−9.3	−8.2	−17.4
K+S Group EBITDA	**383.1**	**247.3**	**630.3**	**199.3**	**227.8**	**1,057.5**	**285.3**	**83.4**	**368.8**
Potash and Magnesium Products business unit	183.2	143.9	327.2	92.5	126.5	546.1	102.3	14.7	117.0
Salt business unit	142.0	42.6	184.5	43.2	38.5	266.3	122.5	4.9	127.4
Complementary Activities	7.7	6.7	14.4	5.7	6.3	26.4	5.3	6.2	11.6
Reconciliation	−16.2	−14.0	−30.2	−9.3	−17.7	−57.2	−11.7	−10.8	−22.7
K+S Group EBIT I	**316.7**	**179.2**	**495.9**	**132.1**	**153.6**	**781.6**	**218.4**	**15.0**	**233.3**

KEY FIGURES TAB: 2.6.2

in € million	Q1/15	Q2/15	H1/15	Q3/15	Q4/15	2015	Q1/16	Q2/16	H1/16
Revenues	1,377.1	914.4	2,291.5	891.4	992.6	4,175.5	1,095.5	732.1	1,827.6
Result after operating hedges (EBIT II)	268.1	227.7	495.8	77.0	142.8	715.6	293.6	15.4	309.0
Financial result	−40.5	−13.7	−54.2	−6.8	27.3	−33.7	−13.3	−15.0	−28.3
Earnings before income taxes	227.6	214.0	441.6	70.2	170.1	681.9	280.4	0.3	280.7
Taxes on income	63.9	60.6	124.5	20.4	41.6	186.5	79.1	0.1	79.2
Group earnings after taxes and minority interests	163.6	153.3	316.9	49.9	128.4	495.2	201.3	0.1	201.4
Operating earnings (EBIT I)	316.7	179.2	495.9	132.1	153.6	781.6	218.4	15.0	233.3
Earnings before income taxes, adjusted [1]	276.2	165.5	441.7	125.3	180.9	747.9	205.2	−0.2	205
Group earnings, adjusted [1]	198.3	118.7	317.0	89.2	136.1	542.3	147.9	−0.2	147.7
Earnings per share, adjusted [1] (€)	1.04	0.62	1.66	0.46	0.71	2.83	0.77	–	0.77
Capital expenditure [2]	199.8	355.5	555.4	349.9	373.6	1,278.8	279.8	362.8	642.6
Depreciation and amortisation [2]	66.4	68.1	134.4	67.2	74.3	275.9	67.0	68.4	135.5
Working capital	827.8	–	841.3	811.4	–	945.9	839.4	–	755.5
Net debt	1,602.1	–	1,967.8	2,224.2	–	2,399.8	2,367.2	–	2,860.4

[1] The adjusted key figures include the result from operating forecast hedges in the respective reporting period, which eliminates effects from fluctuations in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project). Related effects on deferred and cash taxes are also eliminated; tax rate in Q2/16: 29.0% (Q2/15: 28.6%).
[2] Capital expenditure in or depreciation and amortisation affecting net income on property, plant and equipment, intangible assets, investment properties and financial assets.

FINANCIAL CALENDAR

DATES	TAB: 2.6.3
	2016/2017
Quarterly Financial Report, 30 September 2016	10 November 2016
2016 Annual Report	16 March 2017
Quarterly Financial Report, 31 March 2017	9 May 2017
Annual General Meeting, Kassel	10 May 2017
Dividend payment	11 May 2017
Half-Yearly Financial Report, 30 June 2017	15 August 2017

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