

2017 Annual Financial Statements*

K+S Aktiengesellschaft

* The Management Report of K+S AKTIENGESELLSCHAFT and the Group Management Report for the 2017 financial year are combined in the 2017 Annual Report.

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Income Statement

	Notes	2016	2017
In € thousand			
Revenues	1	138,199	136,263
Cost of sales		122,697	141,761
Gross profit		15,502	-5,498
Selling expenses		2,759	1,934
General and administrative expenses		22,711	32,723
Research costs		1,258	2,278
Other operating income	2	124,780	146,328
Other operating expenses	3	137,626	129,470
Income from long-term equity investments	4	243,113	76,628
– of which from profit transfers		116,270	76,331
Income from other securities and long-term loans		1	-
Other interest and similar income	5	3,225	10,921
– of which from affiliated companies		1,331	5,987
Write-downs of long-term financial assets and securities classified as current assets		1,119	223
Expenses for loss absorption	4	4,272	81
Interest and similar expenses	5	125,040	149,609
– of which from affiliated companies		37,266	40,731
Taxes on income	6	15,055	24,454
Earnings after taxes / Net income/loss for the financial year		76,781	-112,393
Withdrawal from other revenue reserves		-	179,383
Net retained profits	15	76,781	66,990

Balance Sheet

	Notes	31 December 2016	31 December 2017
In € thousand			
Intangible fixed assets		8,788	8,447
Tangible fixed assets		63,468	61,443
Long-term financial assets	10	6,570,844	6,923,797
Fixed assets	9	6,643,100	6,993,687
Inventories	11	1,574	1,677
Receivables and other assets	12	544,473	427,435
Securities		8,894	6,170
Cash-in-hand, bank balances		33,776	46,506
Current assets		588,717	481,788
Prepaid expenses	13	18,216	14,348
ASSETS		7,250,033	7,489,823
Subscribed capital		191,400	191,400
Capital reserves		701,616	701,616
Revenue reserves		1,166,444	1,006,413
Net retained profits		76,781	66,990
Equity	14	2,136,241	1,966,419
Provisions for pensions and similar obligations	15	1,409	2,568
Provisions for taxes		5,038	25,827
Other provisions	16	180,989	208,207
Provisions		187,436	236,602
Liabilities	17	4,926,356	5,281,299
Deferred income		-	5,503
TOTAL EQUITY AND LIABILITIES		7,250,033	7,489,823

Notes

BASIS OF PREPARATION

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

The annual financial statements of K+S AKTIENGESELLSCHAFT as at 31 December 2017 have been prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch* – HGB) and the German Stock Corporation Act (*Aktiengesetz* – AktG). The financial year corresponds to the calendar year.

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

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

ACCOUNTING POLICIES

RECOGNITION OF INCOME AND EXPENSES

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

GOVERNMENT AND PRIVATE ASSISTANCE

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

INTANGIBLE ASSETS

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

TANGIBLE FIXED ASSETS

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

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

The depreciation rate is based on the expected useful life of the asset. For buildings this is usually 14 to 33 years, for technical equipment and machinery five to 25 years and for other equipment, operating and office equipment three to 13 years. Low-value assets which do not exceed € 410 net are written off in full in the year of their acquisition or production. Low-value assets exceeding € 410 net are depreciated over the respective company-specific useful life.

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

Gallery and excavation work is not recognised.

LONG-TERM FINANCIAL ASSETS

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

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

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

INVENTORIES

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

RECEIVABLES AND OTHER ASSETS

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

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

SECURITIES CLASSIFIED AS CURRENT ASSETS

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

PREPAID EXPENSES

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

OFFSETTING OF ASSETS/LIABILITIES, OFFSETTING OF INCOME/EXPENSES

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

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The amount required to fulfil pension obligations is determined using the projected unit credit method, applying actuarial principles. In determining the discount rate matching the maturity, the company exercises the option according to Section 253(2) Sentence 2 HGB. Pension obligations are discounted globally using the average market interest rate over the previous ten years determined by Deutsche Bundesbank resulting from an assumed remaining term of 15 years. This discount rate is 3.68% as at the balance sheet date. Effects of interest rate changes are shown in the financial result.

The assumed rate of increase of salaries and pensions is 1.8%. The mortality rates are based on the Heubeck mortality tables (2005G).

As a result of an amendment to Section 253(2) HGB in the 2016 financial year, the period used for determining the discount rate changed from seven to ten years.

OTHER PROVISIONS

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

Provisions for mining obligations related to mine and shaft backfilling are stated at the present value of expected future expenses. The present value is calculated based on the current average discount rate for mining obligations of 2.75% and an annual rate of price increases of 1.5%. The discount factor is based on the weighted average of the discount factors published by Deutsche Bundesbank. Provisions for mining damage are determined on the basis of past instances of damage in order to take account of the actual risk. The provisions for length-of-service bonuses are determined for completed periods of service in accordance with the modified entry age normal method (*Teilwertverfahren*), applying actuarial principles. The amount required to settle partial retirement obligations is determined according to the present value method. Effects of changes in the interest rate for partial retirement obligations are reported in the financial result.

LIABILITIES

Liabilities are recognised at their settlement amount.

DEFERRED TAXES

Deferred taxes are set aside to cover the temporary differences between the tax base of assets, liabilities and prepaid expenses/deferred income and their carrying amounts in the financial statements according to HGB. Apart from the differences in its own balance sheet items, K+S AKTIENGESELLSCHAFT also recognises reporting and measurement differences in tax group subsidiaries. Losses and interest carried forward are recognised as long as these can be offset against taxable income within the next five years. Deferred taxes are measured on the basis of the combined income tax rate of 29.9% for the consolidated tax group of K+S AKTIENGESELLSCHAFT. In addition to the corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% on this amount, this includes an average trade tax rate of 14.1%.

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

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

HEDGES AND DERIVATIVE FINANCIAL INSTRUMENTS

No hedging relationships within the meaning of Section 254 HGB were recognised during the financial year. Derivative financial instruments are recognised according to the imparity principle in conformity with general accounting principles under commercial law. Asset-side derivative financial instruments are reported up to their acquisition cost. If their fair value is below cost, the derivatives are written down to the lower fair value. In the case of a negative

fair value, a provision is recognised for expected losses. Liabilities-side derivative financial instruments are carried at no less than the amount of the option premium received. If the negative fair value exceeds the value of the liability recognised, a provision is recognised for expected losses.

CURRENCY TRANSLATION

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

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

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

NOTES TO THE INCOME STATEMENT

(1) REVENUES

SALES BY OPERATING ACTIVITY

	2016	2017
In € thousand		
IT	44,655	39,292
Animal hygiene products	40,052	40,986
Other	53,492	55,985
	138,199	136,263

SALES BY REGION

	2016	2017
In € thousand		
Germany	119,480	115,901
Rest of Europe	1,855	1,759
Rest of world	16,864	18,603
	138,199	136,263

(2) OTHER OPERATING INCOME

	2016	2017
In € thousand		
Currency translation gains	37,390	90,330
Income from hedging transactions	68,045	38,511
Income from the reversal of provisions	12,453	13,615
Income from disposals of tangible assets	334	1,334
Income from the charging of services to Group companies	541	242
Unrealised profits from the disposal of securities	45	65
Other income	5,972	2,231
	124,780	146,328

Income of €15,510 thousand (previous year: €16,968 thousand) is attributable to other financial years and results mainly from the reversal of provisions.

(3) OTHER OPERATING EXPENSES

	2016	2017
In € thousand		
Currency translation losses	57,206	44,405
Expenses from hedging transactions	48,276	51,006
Expenses for expected losses from hedging transactions	4,326	4,256
Post-employment benefit costs	2,190	3,760
Losses from the disposal of securities	66	2,584
Expenses related to approval processes	3,559	2,367
Net additions/utilisation/expenses for closed plants	-1,245	2,111
Taxes for prior years	3,877	1,252
Consulting expenses	1,908	643
Expenses for real estate	319	412
Other expenses	17,144	16,674
	137,626	129,470

Expenses of €1,500 thousand (previous year: €3,888 thousand) are attributable to other financial years and result mainly from taxes for prior years.

(4) INVESTMENT INCOME

	2016	2017
In € thousand		
Income from profit transfers	116,270	76,331
Other investment income	126,843	297
Income from long-term equity investments	243,113	76,628
Expenses for loss absorption from affiliated companies	-4,272	-81
	238,841	76,547

Income from profit transfers consists mainly of the transfer of profits from K+S KALI GMBH, K+S ENTSORGUNG GMBH, K+S TRANSPORT GMBH and K+S VERSICHERUNGSVERMITTLUNGS GMBH. Other investment income was from affiliated companies and amounted to €293 thousand in the reporting period (previous year: €126,839 thousand).

(5) NET INTEREST INCOME

	2016	2017
In € thousand		
Other interest and similar income	3,225	10,320
– of which from affiliated companies	1,331	5,987
Income from other securities and long-term loans	1	1
– of which from affiliated companies	-	-
Interest expense in allocations to pension provisions offset against income/expenses from plan assets	-	600
– of which interest expense in allocations to pension provisions	-	-8,435
– of which income/expenses from plan assets for pension provisions	-	9,035
Interest and similar income	3,226	10,921
Interest expense in allocations to pension provisions offset against income/expenses from plan assets	-1,993	-
– of which interest expense in allocations to pension provisions	-2,993	-
– of which income/expenses from plan assets for pension provisions	1,000	-
Expenses from unwinding of discounted other long-term provisions	-20,479	-26,695
Other interest and similar expenses	-102,568	-122,915
– of which to affiliated companies	-37,266	-40,731
Interest and similar expenses	125,040	149,609
	-121,815	-138,688

(6) TAXES

	2016	2017
In € thousand		
Taxes on income	15,055	24,454
Other taxes	4,470	1,034
	19,525	25,488

Income of €5,272 thousand relating to prior years is included in taxes on income (previous year: expenses of €3,823 thousand).

Other taxes are allocated to individual operating areas.

(7) COST OF MATERIALS

	2016	2017
In € thousand		
Cost of raw materials, consumables and supplies, and of purchased merchandise	23,525	23,816
Cost of purchased services	40,935	45,869
	64,460	69,685

(8) PERSONNEL EXPENSES

	2016	2017
In € thousand		
Wages and salaries	61,085	73,155
Social security costs	11,098	12,725
Post-employment benefit costs	3,114	5,879
Other employee benefit costs	54	17
	75,351	91,776

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

NOTES TO THE BALANCE SHEET

(9) FIXED ASSETS

	Gross carrying amounts					Depreciation, amortisation and write-downs					Net carrying amounts		
	Balance as at 1 January 2017	Additions	Disposals	Reclassifications	Balance as at 31 December 2017	Balance as at 1 January 2017	Additions	Disposals	Reclassifications	Write-ups	Balance as at 31 December 2017	Balance as at 31 December 2017	Balance as at 31 December 2016
In € thousand													
Intangible fixed assets													
Acquired concessions, industrial and similar rights and assets, and licences in such rights and assets	27,358	2,997	163	861	31,053	19,799	4,883	163	-	-	24,519	6,534	7,559
Prepayments	1,229	1,545	-	-861	1,913	-	-	-	-	-	-	1,913	1,229
	28,587	4,542	163	-	32,966	19,799	4,883	163	-	-	24,519	8,447	8,788
Tangible fixed assets													
Land, land rights and buildings including buildings on third-party land	82,848	139	973	-	82,015	44,000	1,471	35	-	-	45,436	36,579	38,848
Technical equipment and machinery	44,749	2,228	20	1,562	48,518	28,988	2,270	20	-	-	31,238	17,280	15,761
Other equipment, operating and office equipment	56,318	2,282	2,358	750	56,992	49,928	3,016	2,346	-	-	50,598	6,394	6,390
Prepayments and assets under construction	2,469	1,065	33	-2,312	1,189	-	-	-	-	-	-	1,189	2,469
	186,384	5,714	3,384	-	188,714	122,916	6,757	2,401	-	-	127,272	61,442	63,468
Long-term financial assets													
Shares in affiliated companies	6,597,822	353,000	41	-	6,950,781	27,066	-	-	-	-	27,066	6,923,715	6,570,756
Other long-term equity investments	66	-	-	-	66	-	-	-	-	-	-	66	66
Long-term securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other loans and other long-term financial assets	22	1	6	-	17	-	-	-	-	-	-	17	22
	6,597,910	353,001	47	-	6,950,864	27,066	-	-	-	-	27,066	6,923,798	6,570,844
Fixed assets	6,812,881	363,257	3,594	-	7,172,544	169,781	11,640	2,564	-	-	178,857	6,993,687	6,643,100

(10) LONG-TERM FINANCIAL ASSETS

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

CURRENT ASSETS**(11) INVENTORIES**

	2016	2017
<i>In € thousand</i>		
Raw materials, consumables and supplies	1,540	1,535
Work in progress	34	142
	1,574	1,677

(12) RECEIVABLES AND OTHER ASSETS

	2016	2017
<i>In € thousand</i>		
Trade receivables	15,448	14,694
Receivables from affiliated companies	482,451	372,377
Other assets	46,574	40,364
– of which due after more than one year	202	213
	544,473	427,435

Of the receivables from affiliated companies, €101,462 thousand (previous year: €128,746 thousand) were intragroup receivables and €76,331 thousand (previous year: €116,270 thousand) were receivables from profit and loss transfer. Receivables from investment income were €293 thousand (previous year: €126,839 thousand). Moreover, €100,689 thousand related to the issue of a short-term loan to a subsidiary. Otherwise they consist primarily of trade receivables of €11,502 thousand (previous year: €17,854 thousand).

(13) PREPAID EXPENSES

Prepaid expenses consist of discounts of €2,636 thousand (previous year: €3,436 thousand) within the meaning of Section 250(3) HGB.

(14) EQUITY**SUBSCRIBED CAPITAL**

The subscribed capital of K+S AKTIENGESELLSCHAFT amounts to €191.4 million and is divided into 191.4 million no-par value registered shares.

AUTHORISED CAPITAL

As at 31 December 2017, the Company's authorised capital totalled €38.28 million (nominal), which can be issued in tranches or through the issuance of up to 38.28 million no-par value registered shares.

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

DISCLOSURES REGARDING TREASURY SHARES

During the 2017 financial year, the company acquired 114,000 of its own shares for employee share programmes at an average price of €22.21. The maximum ratio of the acquired shares to

the share capital was 0.06%, and the share capital attributable to the acquired shares amounted to €114 thousand. Shares not issued to employees were sold on the market at a price of €21.24. The resulting difference of €9 thousand was offset against revenue reserves in accordance with Section 272 (1b) Sentence 2 HGB. The company holds no treasury shares as at the balance sheet date.

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

CAPITAL RESERVES

	2016	2017
In € thousand		
As at 1 January	701,616	701,616
As at 31 December	701,616	701,616

OTHER REVENUE RESERVES

	2016	2017
In € thousand		
As at 1 January	1,113,057	1,166,444
Difference from the sale of own shares	31	-9
Allocation in accordance with resolution passed by the Annual General Meeting	53,356	19,361
Withdrawal from other revenue reserves	-	-179,383
As at 31 December	1,166,444	1,006,413

NET RETAINED PROFITS

	2016	2017
In € thousand		
Net retained profits as at 1 January	273,466	76,781
Dividend distributed for previous year	-220,110	-57,420
Allocation to other revenue reserves (resolution passed by the Annual General Meeting)	-53,356	-19,361
Net income/net loss for the financial year	76,781	-112,393
Withdrawal from other revenue reserves	-	179,383
Net retained profits as at 31 December	76,781	66,990

(15) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

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

As of the balance sheet date, the amount required to settle pensions and similar obligations was €116,966 thousand (not including liabilities from deferred compensation). Offset against the fair value of the plan assets amounting to €114,398 thousand, this results in recognition of a provision for pensions and similar obligations of €2,568 thousand. In addition, liabilities from deferred compensation total €1,895 thousand; these are covered by insurance policies with matching maturities. The settlement amount was offset in full against the fair value of the insurance policies (€1,895 thousand).

Due to a change in the law in March 2016, the average period for determining the applicable rate for calculating provisions for post-employment benefits was increased from seven to ten years. The difference amounts to €12,257 thousand.

The plan assets comprise securities, reinsurance policies and bank balances. The securities are measured at market price and bank balances at their nominal value as at the balance sheet date. The fair value of the reinsurance policies was determined based on the actuarial reserve of the insurance policies according to the business plan, plus any available balance from profit participation. The acquisition cost of the plan assets is €114,796 thousand.

(16) OTHER PROVISIONS

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

(17) LIABILITIES

	2016	2017
In € thousand		
Bonds	1,500,000	2,125,000
Liabilities to banks	970,000	822,000
Trade payables	8,332	14,869
Liabilities to affiliated companies	2,388,928	2,240,991
Other liabilities	59,094	78,439
– of which tax liabilities	899	1,127
– of which social security liabilities	277	221
	4,926,356	5,281,299

Of the liabilities to affiliated companies, liabilities from intragroup financing account for €2,213,263 thousand (previous year: €2,360,264 thousand).

Liabilities due within one year consist of:

	2016	2017
In € thousand		
Bonds	-	500,000
Liabilities to banks	310,000	60,000
Trade payables	8,332	14,869
Liabilities to affiliated companies	1,651,296	1,501,467
Other liabilities	18,643	30,273
	1,988,271	2,106,609

Liabilities due after more than one year consist of:

	2016	2017
In € thousand		
Bonds	1,500,000	1,625,000
Liabilities to banks	660,000	762,000
Trade payables	-	-
Liabilities to affiliated companies	737,632	739,524
Other liabilities	40,451	48,166
	2,938,084	3,174,690

Liabilities due after more than five years consist of:

	2016	2017
In € thousand		
Liabilities to banks	40,000	40,000
Other liabilities	-	-
	40,000	40,000

OTHER DISCLOSURES

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

(18) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENT LIABILITIES

	2016	2017
<i>In € thousand</i>		
Liabilities from sureties and other guarantees	592,488	730,396
– of which for affiliated companies	586,038	723,921
	592,488	730,396

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

OTHER FINANCIAL OBLIGATIONS

	2016	2017
<i>In € thousand</i>		
Obligations from unfinished investment projects	1,837	1,046
Obligations from long-term rental, leasing and service contracts		
due in the following year	21,352	16,299
– of which to affiliated companies	-	-
due in 2 to 5 years	61,669	39,511
– of which to affiliated companies	-	-
	84,858	56,856

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

(19) EMPLOYEES

	2016	2017
<i>Annual average</i>		
Employees covered by collective wage agreements	515	553
Employees not covered by collective wage agreements	369	389
Trainees	16	20
	900	962

(20) DERIVATIVE FINANCIAL INSTRUMENTS

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

The following derivatives were held as at 31 December 2017:

In € thousand	Nominal values ¹⁾	Fair values	Carrying amounts ²⁾
USD/EUR forward exchange contracts maturing in 2018			
– positive fair values	30,756	301	-
– negative fair values	382,333	–4,242	–4,242
CAD/EUR forward exchange contracts maturing in 2018			
– positive fair values	17,857	81	
– negative fair values	16,623	–0.3	–0.3
GBP/EUR forward exchange contracts maturing in 2018			
– positive fair values	6,129	21	-
– negative fair values	-	-	-
AUD/EUR forward exchange contracts maturing in 2018			
– positive fair values	-	-	-
– negative fair values	950	–13	–13
Cross-currency swap			
– positive fair values	23,162	2,865	-
– negative fair values	-	-	-
Interest rate caps maturing in 2019			
– positive fair values	140,000	10	-
– negative fair values	-	-	-
Interest rate caps maturing in 2021			
– positive fair values	118,000	880	-
– negative fair values	-	-	-

¹⁾ Translated into euros using weighted hedge rates

²⁾ Reported under other provisions.

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

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

(21) INFORMATION ON AMOUNTS EXCLUDED FROM DISTRIBUTION

An amount excluded from distribution of €29,152 thousand (previous year: €23,075 thousand) arises from the recognition of assets at fair value (plan assets) in accordance with Sections 268(8) and 253(6) HGB as at the balance sheet date. The unallocated reserves exceed the amount excluded from distribution. There was no distribution restriction with regard to net retained profits.

(22) AUDITOR'S FEES

The total auditor's fee for the financial year is included in the corresponding disclosure in the notes to the consolidated financial statements of K+S AKTIENGESELLSCHAFT.

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

	2016	2017
In € thousand		
Total remuneration of the Supervisory Board	2,031	2,052
– of which fixed	1,930	1,947
Total remuneration of the Board of Executive Directors	4,206	4,653
– of which fixed	2,222	2,396
– of which performance-related	1,851	2,099
– of which LTI programme	-	-
Total remuneration of former members of the Board of Executive Directors and their surviving dependents	1,771	2,062
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	18,155	19,455

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

The Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (*Aktiengesetz – AktG*) concerning the recommendations made by the Government Commission on the German Corporate Governance Code was issued by the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT for 2017/2018 and is available to shareholders on the K+S Group website (www.k-plus-s.com).

(25) LIST OF SHAREHOLDINGS

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

As at 31 December 2017

Company name	Company's registered office		Share of capital	Currency	Rate	Equity	Profit/loss for the year	
4 K+S Verwaltungen GmbH	Kassel	Germany	100.00%	EUR		308	0	
Al Biariq for Fertilizer Plant Co. Ltd.	Riyadh	Saudi Arabia	30.00%	SAR	4.4979	48593	1432	4)
Beienrode Bergwerks-GmbH	Kassel	Germany	89.80%	EUR		1,351	2	
Börde Container Feeder GmbH	Haldensleben	Germany	33.30%	EUR		923	224	4)
Canadian Brine, Ltd.	Pointe Claire	Canada	100.00%	CAD	1.5039	528	-4	8)
Chemische Fabrik Kalk GmbH	Cologne	Germany	100.00%	EUR		11,349	-360	
Compania Minera Punta de Lobos Ltda.	Santiago de Chile	Chile	99.64%	USD	1.1993	3,496	-1,598	8)
Deutscher Straßen-Dienst GmbH	Hanover	Germany	100.00%	EUR		60	2,170	1)
Empresa de Servicios Ltda.	Santiago de Chile	Chile	99.65%	USD	1.1993	421	2	8)
Empresa Maritima S.A.	Santiago de Chile	Chile	99.59%	USD	1.1993	31,155	3,491	8)
esco - european salt company GmbH & Co. KG	Hanover	Germany	100.00%	EUR		137,679	26,272	
esco benelux N.V.	Diegem	Belgium	100.00%	EUR		13,719	848	8)
esco france S.A.S.	Levallois-Perret	France	100.00%	EUR		10,316	1,451	8)
esco international GmbH	Hanover	Germany	100.00%	EUR		40,903	6,544	1)
esco Spain S.L.	Barcelona	Spain	100.00%	EUR		2,129	449	8)
esco Verwaltungs GmbH	Hanover	Germany	100.00%	EUR		63	3	
Fachschule f. Wirtschaft und Technik Gem. GmbH	Clausthal	Germany	9.40%	EUR		538	27	2)
Frisia Zout BV.	Harlingen	Netherlands	100.00%	EUR		19,538	8,158	8)
Glendale Salt Development, LLC	Chicago	USA	100.00%	USD	1.1993	3,755	621	8)
Ickenroth GmbH	Staudt	Germany	100.00%	EUR		1,790	368	1)
Imperial Thermal Products, Inc.	Chicago	USA	100.00%	USD	1.1993	0	0	7)
Inagua General Store, Ltd.	Nassau	Bahamas	100.00%	USD	1.1993	-182	-38	8)
Inagua Sports Inc.	Chicago	USA	100.00%	USD	1.1993	-1,666	0	8)
Inversiones Columbus Ltda.	Santiago de Chile	Chile	2.00%	USD	1.1993	8,574	-87	8)
Inversiones Empremer Ltda.	Santiago de Chile	Chile	100.00%	USD	1.1993	18,889	-24	8)
Inversiones K+S Sal de Chile SpA	Santiago de Chile	Chile	100.00%	CLP	738.09	71,688,504	-46,259	8)
ISX Oil & Gas Inc.	Calgary	Canada	100.00%	CAD	1.5039	-519	-8	8)
K plus S Africa (Pty) Ltd.	Johannesburg	South Africa	100.00%	ZAR	14.8	62	-5	4)
K plus S Middle East FZE	Jebel Ali, Dubai	United Arab Emirates	100.00%	AED	4.3993	200		
K plus S Salt Australia Pty Ltd	Perth	Australia	100.00%	AUD	1.5346	302	-1,695	8)
K+S An-Instituts Verwaltungsgesellschaft mbH	Kassel	Germany	100.00%	EUR		243	5	
K+S Asia Pacific Pte. Ltd.	Singapore	Singapore	100.00%	SGD	1.6024	19,247	2,715	8)
K+S Bahamas Salt Asset Management GmbH & Co. KG	Kassel	Germany	100.00%	EUR		51,272	1,402	
K+S Baustoffrecycling GmbH	Sehnde	Germany	100.00%	EUR		101	2,895	1)
K+S Beteiligungs GmbH	Kassel	Germany	100.00%	EUR		210,751	-55	1)
K+S Brasileira Fertilizantes e Produtos Industriais Ltda.	São Paulo	Brazil	100.00%	BRL	3.9729	7,654	-4,463	4)
K+S Canada Holdings Ltd.	Vancouver	Canada	100.00%	CAD	1.5039	5,739,577	398	8)
K+S Chile S.A.	Santiago de Chile	Chile	99.64%	USD	1.1993	467,776	5,088	8)
K+S Consulting GmbH	Kassel	Germany	100.00%	EUR		810	17	1)
K+S Czech Republic a.s.	Prague	Czech Republic	100.00%	CZK	25.535	188,241	24,535	8)
K+S Denmark Holding ApS	Hellerup	Denmark	100.00%	DKK	7.4444	723	299	4)
K+S Entsorgung (Schweiz) AG	Delémont	Switzerland	100.00%	CHF	1.1702	1,039	315	4)
K+S Entsorgung GmbH	Kassel	Germany	100.00%	EUR		7,506	8,948	1)
K+S Fertilizers (India) Private Limited	New Delhi	India	100.00%	INR	76.322	12,690	3,211	3)
K+S Finance Belgium BVBA	Diegem	Belgium	100.00%	USD	1.1993	2,716,562	61,015	8)
K+S Finance Ltd.	St. Julians	Malta	100.00%	EUR		687,280	3,055	8)
K+S France S.A.S.	Dombasle sur Meurthe	France	100.00%	EUR		27,430	8,071	8)
K+S (Huludao) Magnesium Products Co. Ltd.	Huludao	China	100.00%	CNY	7.8044	12,511	-1,314	8)
K+S Investments Ltd.	St. Julians	Malta	100.00%	EUR		640,155	4,606	8)
K+S Italia S.r.L.	Verona	Italy	100.00%	EUR		369	-429	4)
K+S KALI France S.A.S.	Reims	France	100.00%	EUR		1,859	262	8)
K+S Kali GmbH	Kassel	Germany	100.00%	EUR		447,083	58,364	1)
K+S KALI Wittenheim S.A.S.	Wittenheim	France	100.00%	EUR		2,219	218	8)
K+S Legacy GP Inc.	Vancouver	Canada	100.00%	CAD	1.5039	50	0	8)

K+S Mining Argentina S.A.	Buenos Aires	Argentina	100.00%	ARS	22.335	199	-592	⁴⁾
K+S Montana Holdings, LLC	Chicago	USA	100.00%	USD	1.1993	839,147	-18,351	⁸⁾
K+S Netherlands Holding B.V.	Harlingen	Netherlands	100.00%	EUR		4,497,871	-6,511	⁸⁾
K+S North America Asset Management GmbH	Kassel	Germany	100.00%	EUR		119	-1	
K+S North America Corporation	Chicago	USA	100.00%	USD	1.1993	10,251	1,157	⁸⁾
K+S North America Salt Asset Management GmbH & Co. KG	Kassel	Germany	100.00%	EUR		684,689	32,558	
K+S Perú S.A.C.	Lima	Peru	100.00%	PEN	3.8831	12,917	-1,469	⁸⁾
K+S Polska Sp. z o.o.	Poznan	Poland	100.00%	PLN	4.177	4,856	463	⁴⁾
K+S Potash Canada General Partnership	Vancouver	Canada	100.00%	CAD	1.5039	5,491,909	-100,095	⁸⁾
K+S Salz GmbH	Hanover	Germany	100.00%	EUR		4,614,035	-26	¹⁾
K+S Salt LLC	Chicago	USA	100.00%	USD	1.1993	1,622,006	58,745	⁸⁾
K+S Transport GmbH	Hamburg	Germany	100.00%	EUR		3,302	7,714	¹⁾
K+S UK & Eire Ltd.	Hertford	United Kingdom	100.00%	GBP	0.8872	440	240	⁴⁾
K+S Versicherungsvermittlungs GmbH	Kassel	Germany	100.00%	EUR		25	1,638	¹⁾
K+S Windsor Salt Ltd.	Vancouver	Canada	100.00%	CAD	1.5039	6,276,735	98,792	⁸⁾
Kali (U.K.) Ltd.	Hertford	United Kingdom	100.00%	GBP	0.8872	0	0	⁷⁾
Kali AG	Frauenkappelen	Switzerland	100.00%	CHF	1.1702	1,501	584	⁴⁾
Kali-Union Verwaltungsgesellschaft mbH	Kassel	Germany	100.00%	EUR		23,969	2,072	¹⁾
Lehrter Wohnungsbau GmbH	Lehrte	Germany	6.67%	EUR		14,213	116	⁵⁾
Montana US Parent Inc.	Chicago	USA	100.00%	USD	1.1993	0	-1	⁸⁾
Morton Bahamas Ltd.	Nassau	Bahamas	100.00%	USD	1.1993	-3,838	-7,085	⁸⁾
Morton China National Salt (Shanghai) Salt Co., Ltd.	Shanghai	China	45.00%	CNY	7.8044	26,435	3,598	⁴⁾
Morton Salt, Inc.	Chicago	USA	100.00%	USD	1.1993	1,627,013	39,063	⁸⁾
MSW Chemie GmbH	Langelsheim	Germany	100.00%	EUR		788	39	
Nieders. Gesellschaft zur Endablagerung von Sonderabfall mbH	Hanover	Germany	0.10%	EUR		10,022	1,361	⁵⁾
OOO K+S Rus	Moscow	Russian Federation	100.00%	RUB	69.006	7	1	⁴⁾
Poldergemeinschaft Hohe Schaar	Hamburg	Germany	8.66%	EUR		0	0	⁴⁾
Pristav Pardubice a.s.	Pardubice	Czech Republic	0.41%	CZK	25.535	15,837	-756	⁶⁾
Salina Diamante Branco Ltda.	Rio de Janeiro	Brazil	99.69%	BRL	3.9729	18,376	-4,288	⁸⁾
Saline Cerebos S.A.S.	Levallois-Perret	France	100.00%	EUR		4,788	-532	⁸⁾
Servicios Maritimos Patillos S.A.	Santiago de Chile	Chile	99.64%	USD	1.1993	2,798	1,364	⁸⁾
Servicios Portuarios Patillos S.A.	Santiago de Chile	Chile	99.54%	USD	1.1993	43,580	631	⁸⁾
Shenzhen K+S Trading Co. Ltd.	Shenzhen	China	100.00%	CNY	7.8044	52,735	519	⁴⁾
VATEL Companhia de Produtos Alimentares S.A.	Alverca	Portugal	100.00%	EUR		407	-478	⁸⁾
Weeks Island Landowner, LLC	Chicago	USA	100.00%	USD	1.1993	985	173	⁸⁾
Werra Kombi Terminal Betriebsgesellschaft mbH	Philippsthal	Germany	50.00%	EUR		212	106	⁴⁾
Wohnbau Salzdetfurth GmbH	Bad Salzdetfurth	Germany	100.00%	EUR		1,820	5	¹⁾
Zoll Pool Hamburg AG	Hamburg	Germany	1.43%	EUR		607	55	⁴⁾

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

²⁾ Financial year from 1 August to 31 July – Annual financial statements as at 31 July 2017.

³⁾ Annual financial statements as at 31 March 2017.

⁴⁾ Annual financial statements as at 31 December 2016.

⁵⁾ Annual financial statements as at 31 December 2015.

⁶⁾ Annual financial statements as at 31 December 2014.

⁷⁾ Inactive companies.

⁸⁾ Data according to IFRS.

**(26) MEMBERS OF THE SUPERVISORY BOARD IN THE 2017 FINANCIAL YEAR
(INFORMATION ON OTHER SUPERVISORY BOARD APPOINTMENTS AND SUPERVISORY
BODIES AS AT 31 DECEMBER 2017)**

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

SHAREHOLDER REPRESENTATIVE

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

In office until the end of the 2020 Annual General Meeting

First appointed: 12 May 2015

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

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

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

EMPLOYEE REPRESENTATIVE

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

In office until the end of the 2018 Annual General Meeting

First appointed: 7 May 2003

Other supervisory board appointments: BASF SE, Ludwigshafen, Germany
STEAG GmbH, Essen, Germany
RAG Aktiengesellschaft (Vice Chairman)
RAG DSK AG (Vice Chairman)
RAG Stiftung, Essen, Germany

RALF BECKER (BORN 1965), TRADE UNION SECRETARY

EMPLOYEE REPRESENTATIVE

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

In office until the end of the 2018 Annual General Meeting

First appointed: 1 August 2009

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

JELLA S. BENNER-HEINACHER (BORN 1960), LAWYER

SHAREHOLDER REPRESENTATIVE

(Deputy) General Manager of Deutsche Schutzvereinigung für Wertpapierbesitz e.V., Düsseldorf, Germany

In office until the end of the 2018 Annual General Meeting

First appointed: 7 May 2003

Other supervisory board appointments: A.S. Création Tapeten AG, Gummersbach, Germany

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

SHAREHOLDER REPRESENTATIVE
Entrepreneur/Farmer

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

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

GEORGE CARDONA (BORN 1951), ECONOMIST

SHAREHOLDER REPRESENTATIVE
Economist

In office until the end of the 2020 Annual General Meeting
First appointed: 9 October 2009

Other supervisory bodies: Board of Wishbone Gold plc., Gibraltar (until 3 October 2017)

WESLEY CLARK (BORN 1952), MBA

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

In office until the end of the 2018 Annual General Meeting
First appointed: 14 May 2013

Other supervisory bodies: Board of Directors of Patriot Supply Holdings, Inc., Fort Worth, Texas, USA (Non-Executive Chairman)
Board of Directors of ABC Supply Corporation, Beloit, Wisconsin, USA
Board of Directors of Clarcor Inc., Franklin, Tennessee, USA (until 28 February 2017)
Board of Directors of Distribution International, Inc., Fort Worth, Texas, USA (Non-Executive Chairman)

HARALD DÖLL (BORN 1964), ENERGY FACILITY ELECTRONICS ENGINEER

EMPLOYEE REPRESENTATIVE
Chairman of the Central Works Council of the K+S GROUP
Chairman of the Works Council of K+S KALI GMBH's Werra plant

In office until the end of the 2018 Annual General Meeting
First appointed: 1 August 2009

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

EMPLOYEE REPRESENTATIVE

Vice Chairman of the General Works Council of the K+S GROUPChairman of the Works Council of K+S KALI GMBH'S **Neuhof-Ellers plant**

In office until the end of the 2018 Annual General Meeting

First appointed: 14 May 2013

MICHAEL KNACKMUIß (BORN 1975), AUTO MECHANIC

EMPLOYEE REPRESENTATIVE

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

In office until the end of the 2018 Annual General Meeting

First appointed: 11 July 2014

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

SHAREHOLDER REPRESENTATIVE

Chief Financial Officer of Südzucker AG, Mannheim, Germany

In office until the end of the 2022 Annual General Meeting

First appointed: 10 May 2017

Other supervisory

board appointments:

Südzucker Group companies

CropEnergies AG, Mannheim, Germany (Vice Chairman)

Other companies

EUWAX Aktiengesellschaft, Stuttgart, Germany (until 5 December 2017)

Other supervisory bodies:

Südzucker Group companies

AGRANA Stärke GmbH, Vienna, Austria (member of the Supervisory Board)

AGRANA Zucker GmbH, Vienna, Austria (member of the Supervisory Board)

ED&F MAN Holdings Limited, London, United Kingdom (member of the Board of Directors (non-executive))

Freiberger Holding GmbH, Berlin, Germany (member of the Supervisory Board)

PortionPack Europe Holding B. V., Oud-Beijerland, Netherlands (Chairman of the Supervisory Board)

Raffinerie Tirlemontoise S. A., Brussels, Belgium (member of the Conseil d'Administration)

Saint Louis Sucre S. A. S., Paris, France (member of the Comité de Supervision)

Südzucker Polska S. A., Wroclaw, Poland (member of the Supervisory Board)

Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim, Germany (Chairman of the Advisory Board)

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

EMPLOYEE REPRESENTATIVE

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

In office until the end of the 2018 Annual General Meeting
First appointed: 1 January 2016

DIETER KUHN (BORN 1958), MINING ENGINEER

EMPLOYEE REPRESENTATIVE

First Vice Chairman of the General Works Council of the K+S GROUP

Chairman of the Works Council of the Bernburg plant of esco - european salt company GmbH & CO. KG

In office until the end of the 2018 Annual General Meeting
First appointed: 7 May 2003

DR ANNETTE MESSEMER (BORN 1964), POLITICAL SCIENTIST

SHAREHOLDER REPRESENTATIVE

Divisional Director, Commerzbank AG

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

In office until the end of the 2018 Annual General Meeting
First appointed: 14 May 2013

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

EMPLOYEE REPRESENTATIVE

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

Employee in sales and distribution of de-icing agents at esco - european salt company GmbH & Co. KG, Hanover, Germany

In office until the end of the 2018 Annual General Meeting
First appointed: 1 April 2016

DR ECKART SÜNNER (BORN 1944), LAWYER

SHAREHOLDER REPRESENTATIVE

Self-employed attorney in Neustadt a.d. Weinstraße, Germany

In office until the end of the 2018 Annual General Meeting
First appointed: 28 April 1992

Other supervisory board appointments: Infineon Technologies AG, Neubiberg, Germany

MEMBERS WHO STEPPED DOWN IN 2017:

DR RALF BETHKE (BORN 1942), DIPLOM-KAUFMANN (DIPLOMA IN BUSINESS ADMINISTRATION), FORMER CHAIRMAN OF THE SUPERVISORY BOARD

SHAREHOLDER REPRESENTATIVE

Entrepreneur (as member of the supervisory boards listed below)

Stepped down at the end of the 2017 Annual General Meeting

CHAIRMAN OF THE SUPERVISORY BOARD SINCE 14 MAY 2008

FIRST APPOINTED: 1 JULY 2007

Other supervisory board appointments: DJE Kapital AG, Pullach, Germany (Chairman)

Other supervisory bodies: Benteler International AG, Salzburg, Austria
(Chairman of the Supervisory Board)

SUPERVISORY BOARD COMMITTEES

MEDIATION COMMITTEE

- + Dr Andreas Kreimeyer (Chairman) (since 10 May 2017)
- + Dr Ralf Bethke (Chairman) (until 10 May 2017)
- + Harald Döll
- + Dr Eckart Sünner
- + Michael Vassiliadis

STRATEGY COMMITTEE (SINCE 10 MAY 2017)

- + Dr Andreas Kreimeyer (Chairman)
- + Philip Freiherr von dem Bussche
- + Michael Vassiliadis

AUDIT COMMITTEE

- + Dr Eckart Sünner (Chairman)
- + Ralf Becker
- + Dr Ralf Bethke (until 10 May 2017)
- + Axel Hartmann
- + Thomas Kölbl (since 10 May 2017)
- + Dr Annette Messemer
- + Michael Vassiliadis

PERSONNEL COMMITTEE

- + Dr Andreas Kreimeyer (Chairman) (since 10 May 2017)
- + Dr Ralf Bethke (Chairman) (until 10 May 2017)
- + Jella S. Benner-Heinacher
- + Harald Döll
- + Michael Vassiliadis

NOMINATION COMMITTEE

- + Dr Andreas Kreimeyer (Chairman) (since 10 May 2017)
- + Dr Ralf Bethke (Chairman) (until 10 May 2017)
- + Jella S. Benner-Heinacher (since 10 May 2017)
- + Philip Freiherr von dem Bussche
- + George Cardona

**(27) MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS IN FINANCIAL YEAR 2017
(INFORMATION ON RESPONSIBILITIES AND APPOINTMENTS AS AT 31 DECEMBER
2017)**

**DR BURKHARD LOHR (BORN 1963), *DIPLOM-KAUFMANN* (DIPLOMA IN BUSINESS ADMINISTRATION),
CHAIRMAN (SINCE 12 MAY 2017)**

Corporate Board Office
Corporate Communications
Corporate Development
Corporate HR
Environmental & Regulatory Affairs
Internal Auditing
Investor Relations
Legal, GRC, Corporate Secretary

In office until 31 May 2020
First appointed: 1 June 2012

Supervisory board appointment: K+S KALI GmbH (Chairman), Kassel, Germany¹

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

Corporate Controlling
Corporate Finance and Accounting
Corporate Procurement
Corporate Tax
and for all direct shareholdings of the Company to the extent that they are not assigned to another area of responsibility

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

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

DR THOMAS NÖCKER (BORN 1958), *LAWYER*, PERSONNEL DIRECTOR

Corporate HR
Corporate IT
Corporate Health, Safety & Environment
Business Centre and sub-units:
Communication Services
Financial Accounting
Insurances
IT Services
Logistics Europe
Procurement/Material Management Europe
Project Management
Real Estate & Facility Management

K+S TRANSPORT GMBH
K+S VERSICHERUNGSVERMITTLUNGS GMBH
WOHNBAU SALZDETFURTH GMBH

In office until 31 August 2018
First appointed: 1 August 2003

Supervisory board appointments: K+S KALI GmbH, Kassel¹

¹ Group appointment

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

Potash and Magnesium Products business unit
 Salt business unit
 Waste Management and Recycling business unit
 Technical Centre and sub-units:
 Digital Transformation
 Geology
 Mining
 Research and Development
 Technics/Energy
 Animal hygiene products

In office until 30 September 2020

First appointed: 1 October 2012

MEMBERS WHO STEPPED DOWN IN 2017:**NORBERT STEINER (BORN 1954), LAWYER, CHAIRMAN (UNTIL 11 MAY 2017)**

Corporate Communications
 Corporate Development
 Corporate Executive HR
 Internal Auditing
 Investor Relations
 Legal, GRC, Corporate Secretary

Stepped down as at 11. Mai 2017

First appointed: 12 May 2000

Supervisory Board appointments: Talanx AG, Hanover, Germany
 HDI V.a.G., Hanover
 K+S KALI GmbH (Chairman)¹, Kassel, Germany (until 11 May 2017)

DR OTTO LOSE (BORN 1971), LAWYER

Potash and Magnesium Products business unit
 Waste Management and Recycling business unit

Stepped down as at 28 November 2017

First appointed: 1 January 2017

Supervisory Board appointment: K+S KALI GmbH¹, Kassel, Germany (until 28 November 2017)

¹ Group appointment

(28) SHAREHOLDINGS IN THE COMPANY

On 10 January 2018, Platinum Investment Management Limited, Sydney (Australia), notified us that its share of the voting rights had exceeded the threshold of 3% and that it now holds 3.05% of the company. As at the end of February, no shareholder had notified us of holdings above the legal reporting threshold of 3%.

(29) PROPOSAL FOR THE APPROPRIATION OF PROFITS

The net retained profits generated by K+S AKTIENGESELLSCHAFT in the 2017 financial year totalled €66,990 thousand. The Board of Executive Directors intends to propose to the Annual General Meeting on 15 May 2018 the payment of a dividend of €0.35 per no-par value share (€66,990 thousand).

Kassel, Germany, 7 March 2018

K+S Aktiengesellschaft

Board of Executive Directors

INDEPENDENT AUDITOR'S REPORT

to K+S Aktiengesellschaft, Kassel

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

Audit opinions

We have audited the annual financial statements of K+S Aktiengesellschaft, Kassel, consisting of the balance sheet as at 31 December 2017, the income statement for the financial year from 1 January to 31 December 2017 and the notes, including the presentation of accounting policies. In addition, we audited the management report of K+S Aktiengesellschaft, Kassel, which is combined with the group management report, for the financial year from 1 January to 31 December 2017. In conformity with German legal regulations, we have not audited the parts of the combined management report specified in the "Other information" section of our independent auditor's report with regard to their content.

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

- the accompanying annual financial statements comply in all material respects with the regulations of the German Commercial Code (Handelsgesetzbuch – HGB) applicable to corporations and give a true and fair view of the company's net assets and financial position as at 31 December 2017 as well as its results of operations for the financial year from 1 January to 31 December 2017 in accordance with German generally accepted accounting principles and
- the accompanying combined management report provides a suitable view of the company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the content of the parts of the combined management report specified in the "Other information" section of our independent auditor's report.

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

Basis for the audit opinions

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

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the

annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

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

Impairment of shares in affiliated companies

- a) In the annual financial statements for the period ended 31 December 2017 in accordance with the German Commercial Code (HGB), K+S Aktiengesellschaft reports shares in affiliated companies totalling €6,923.7 million in the financial assets item. This corresponds to 92.4% of total assets.

At least once a year, the shares are tested for impairment by the legal representatives. The fair values were determined using the capitalised earnings method (*Ertragswertverfahren*) taking into account the capital asset pricing model (CAPM) for determining the cost of equity. The value of the companies was determined by projecting the planned net distributions from mid-term planning for the forecast period from 2018 to 2020. The planned net distributions outside of the forecast period were calculated based on the result expected for 2020 at an annual growth rate of 1%.

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

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

The information provided by the legal representatives on shares in affiliated companies is presented in the notes in the "Accounting policies" section and in Sections 10 and 25.

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

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

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

Other information

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

- the combined nonfinancial statement pursuant to Sections 289b to 289e and Sections 315b and 315c HGB specified in Section 1.2 of the combined management report,
- the statement on business management pursuant to Sections 289f and 315d HGB specified in Section 1.3 "Statement on Business Management and Corporate Governance" of the combined management report,
- the other sections of the combined management report marked as "unaudited" and
- assurance by the legal representatives on the annual financial statements and the combined management report pursuant to Sections 264(2) Sentence 3 HGB and Section 289(1) Sentence 5 HGB.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We were appointed by the Annual General Meeting on 10 May 2017 to audit the financial statements. We were engaged by the Supervisory Board on 22 August 2017. We have been engaged continuously as the auditors of the financial statements of K+S Aktiengesellschaft, Kassel, since financial year 1972.

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

RESPONSIBLE AUDITOR (WIRTSCHAFTSPRÜFER)

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

Hanover, 7 March 2018

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

(Kompenhans)

(Dr Meyer)

Wirtschaftsprüfer

Wirtschaftsprüfer