

H1/19 Half-Yearly Financial Report

K+S GROUP

- + Second-quarter EBITDA up 24% year-on-year to € 130 million
- + Second-quarter adjusted free cash flow increased by around € 150 million to € 102 million due to higher operating earnings and optimised working capital; for the first half of the year even improved by € 240 million to € 335 million
- + Net financial debt/EBITDA reduced to a factor of 4.4 (31/12/2018: factor of 5.3)

More precise outlook for the K+S Group for the 2019 financial year:

- + Significant increase in EBITDA to between € 730 and € 830 million expected (previously: € 700 – € 850 million; 2018: € 606 million)
- + At the midpoint of our earnings guidance we now expect an adjusted free cash flow of at least € 100 million (2018: € -206 million)

KEY PERFORMANCE DATA

KEY FIGURES							
		Q2/18 ¹¹	Q2/19	%	H1/18 ¹¹	H1/19	%
K+S Group							
Revenues	€ million	811.9	878.5	+ 8.2	1,981.7	2,141.9	+ 8.1
EBITDA ¹	€ million	105.1	130.1	+ 23.8	341.9	400.0	+ 17.0
EBITDA margin	%	12.9	14.8	–	17.3	18.7	–
Depreciation and amortisation ²	€ million	91.7	103.8	+ 13.2	181.5	203.2	+ 12.0
Operating unit Europe+³							
Revenues	€ million	571.9	626.8	+ 9.6	1,233.9	1,318.6	+ 6.9
EBITDA ¹	€ million	99.8	128.4	+ 28.6	255.4	305.5	+ 19.6
EBITDA margin	%	17.5	20.5	–	20.7	23.2	–
Depreciation and amortisation ²	€ million	75.9	80.7	+ 6.4	150.4	158.3	+ 5.2
Operating unit Americas³							
Revenues	€ million	239.3	251.2	+ 5.0	746.5	822.4	+ 10.2
EBITDA ¹	€ million	22.1	13.6	– 38.2	118.0	121.2	+ 2.7
EBITDA margin	%	9.2	5.4	–	15.8	14.7	–
Depreciation and amortisation ²	€ million	14.1	20.9	+ 48.7	27.8	40.7	+ 46.4
Customer segment Agriculture⁴							
Revenues	€ million	383.1	440.1	+ 14.9	813.9	901.1	+ 10.7
EBITDA ¹	€ million	64.5	95.3	+ 47.7	159.2	219.4	+ 37.8
EBITDA margin	%	16.8	21.6	–	19.6	24.4	–
Customer segment Industry⁴							
Revenues	€ million	277.3	282.5	+ 1.9	552.7	564.3	+ 2.1
EBITDA ¹	€ million	60.5	55.8	– 7.8	124.5	114.3	– 8.2
EBITDA margin	%	21.8	19.7	–	22.5	20.3	–
Customer segment Consumers⁴							
Revenues	€ million	102.7	108.5	+ 5.6	212.8	228.0	+ 7.2
EBITDA ¹	€ million	7.5	9.0	+ 21.2	17.5	25.4	+ 45.1
EBITDA margin	%	7.3	8.3	–	8.2	11.2	–
Customer segment Communities⁴							
Revenues	€ million	48.2	47.0	– 2.4	401.1	447.6	11.6
EBITDA ¹	€ million	– 10.6	– 18.1	–	72.1	67.5	– 6.3
EBITDA margin	%	– 22.0	– 38.4	–	18.0	15.1	–
Earnings after tax, adjusted ⁵	€ million	– 9.4	2.6	–	74.2	110.4	48.8
Earnings per share, adjusted ⁵	€	– 0.05	0.01	–	0.39	0.58	47.9
Capital expenditure ⁶	€ million	91.2	93.1	+ 2.1	153.7	165.7	7.8
Net cash flows from operating activities	€ million	59.4	193.2	+ 225.3	292.2	517.6	77.1
Adjusted free cash flow ⁷	€ million	– 48.6	101.5	–	94.2	334.6	255.2
Net financial debt as of 30 June ⁸	€ million	–	–	–	2,944.2	2,893.7	– 1.7
Net financial debt/EBITDA (LTM) ⁹		–	–	–	4.9	4.4	–
Equity ratio	%	–	–	–	42.8	42.4	–
Return on capital employed (LTM) ⁹	%	–	–	–	3.2	3.0	–
Book value per share as of 30 June	€	–	–	–	21.61	22.93	+ 6.1
Average number of shares	million	191.4	191.4	–	191.4	191.4	–
Employees as of 30 June ¹⁰	number	–	–	–	14,809	14,535	– 1.9
Market capitalisation as of 30 June	€ billion	–	–	–	4.05	3.14	– 22.6
Enterprise value (EV) as of 30 June	€ billion	–	–	–	8.18	7.48	– 8.5

¹ Earnings before interest, taxes, depreciation and amortisation, adjusted for depreciation and amortisation of own work capitalised recognised directly in equity, earnings from fair value changes arising from operating forecast hedges still outstanding and changes in the fair value of operating forecast hedges recognised in prior periods (EBITDA).

² Relates to amortisation of intangible assets and depreciation of property, plant and equipment, adjusted for depreciation and amortisation of own work capitalised recognised directly in equity.

³ Segments according to IFRS 8.

⁴ No segments according to IFRS 8.

⁵ The adjusted key indicators include the profit/(loss) from operating anticipatory hedges in the relevant reporting period, which eliminates effects from changes in the fair value of the hedges. Related effects on deferred and cash taxes are also eliminated; tax rate in Q2/19: 30.0% (Q2/18: 29.9%).

⁶ Relates to cash payments for investments in property, plant and equipment and intangible assets, taking claims for reimbursement from claim management into account excluding additions to leases in accordance with IFRS 16. The standard was applied for the first time as of 1 January 2019.

⁷ Adjusted for purchases/sales of securities and other financial investments.

⁸ From 1 January 2019 includes leasing obligations arising explicitly from finance lease contracts concluded. Previous year's values are reported without corresponding adjustment.

⁹ LTM = last twelve months; inclusion of the effects arising from IFRS 16 on a pro-rata basis. The standard was applied for the first time as of 1 January 2019.

¹⁰FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.

¹¹For purposes of comparison, prior-year figures for the operating units and for the customer segments will also be reported in accordance with the new breakdown of the segment reporting from the 2019 reporting period onwards.

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

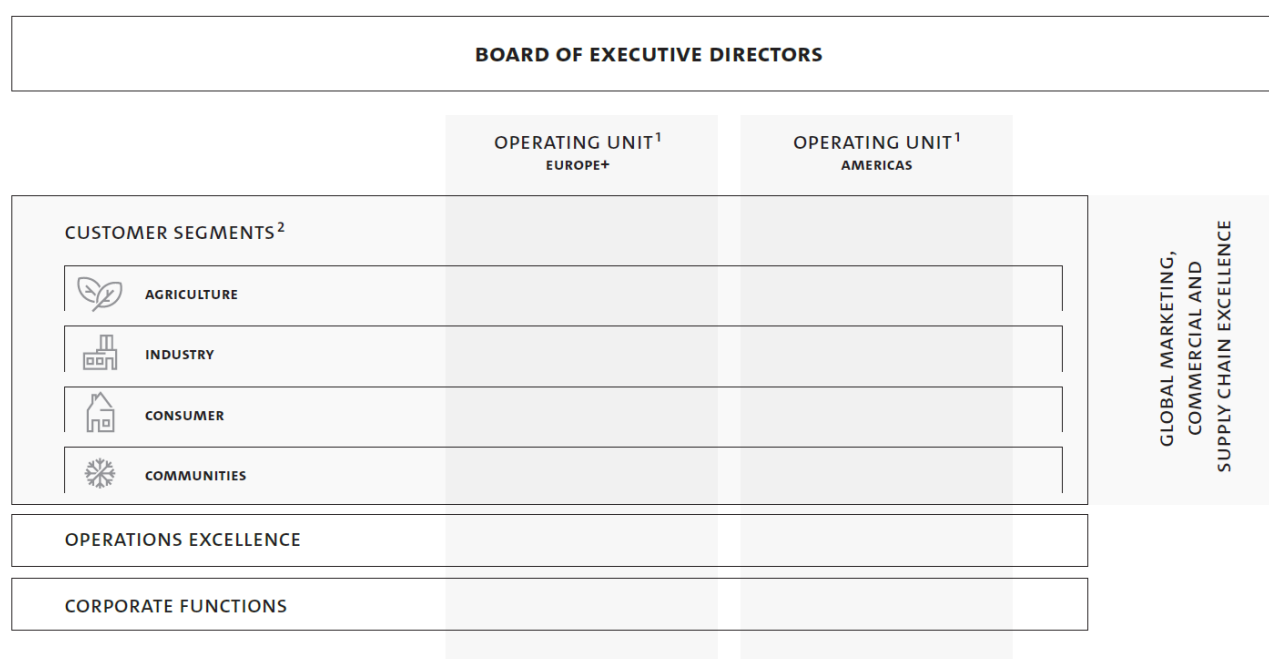
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1.1 GROUP STRUCTURE AND BUSINESS ACTIVITIES

As part of our corporate strategy SHAPING 2030, we have created a new structure that is more customer oriented in order to integrate the previously separate Potash and Magnesium Products and Salt business units into 'One Company' more closely. From our standpoint, the best structure for ONE K+S is a matrix organisation. Within it we link regionally focused operating units ¹ with market-oriented customer segments ² as well as excellence functions and central units so that we can leverage their respective strengths in projects and solutions on behalf of our customers everywhere. Our aim here is to dispense with the silo mentality and focus on strengthening our networks across organisational units and countries.

K+S MATRIX STRUCTURE



The section entitled 'Changes in the basis of consolidation' can be found on page 24 in the Notes to this Half-Yearly Financial Report. Otherwise, the Group structure and business activities described in the 2018 Annual Report remained largely unchanged. For a detailed description of the new structure, please refer to pages 31 to 37 of the 2018 Annual Report. We conduct business operations in two units ¹, into which our segment reporting will be reflected as of the financial year 2019 onwards:

- + Operating unit Europe+, comprising the former Potash and Magnesium Products business unit including Bethune mine, esco (previously part of the Salt business unit) and the previous complementary activities (Waste Management and Recycling, Animal hygiene products, K+S TRANSPORT GMBH, CHEMISCHE FABRIK KALK GMBH)
- + Operating unit Americas, comprising MORTON SALT, K+S WINDSOR SALT and our Group companies in South America (previously part of the former Salt business unit)

The customer segments ² comprise the segments Agriculture, Industry, Consumers and Communities. The customer segment Agriculture supplies plant nutrients. Our products in the Industry segment are extensively used in the electrolysis and food processing industries; however, industrial applications for our products are broad, ranging from pharmaceutical production to copper mining. The products in the customer segment Consumers comprise table salt, including premium products such as sea salt, kosher salt and low-sodium salt, products for water softening, dishwasher salt and de-icing salt for use in the home. In the customer segment Communities K+S delivers de-icing salt to public road authorities, winter road maintenance services and commercial bulk customers.

¹ Segments according to IFRS 8.

² Not segments according to IFRS 8.

1.2 CORPORATE STRATEGY AND CORPORATE GOVERNANCE

There were no changes in the corporate strategy or corporate governance in the second quarter of 2019. Please see the relevant sections entitled 'Declaration on Corporate Governance' (starting on page 67) and 'Corporate Strategy' (starting on page 43) in the 2018 Annual Report for a detailed description of our current corporate strategy and corporate governance.

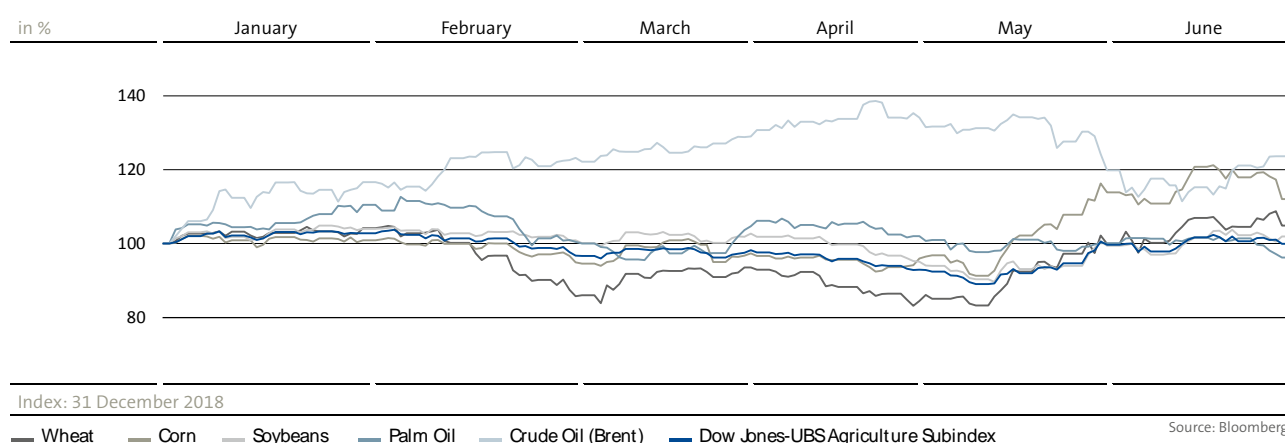
1.3 OVERVIEW OF THE COURSE OF BUSINESS

MACROECONOMIC ENVIRONMENT

After dipping initially, prices of soft commodities were trending upwards at the end of the second quarter compared with the level seen at the beginning of the year. Corn prices showed the strongest growth of 12%, while wheat and soy prices rose by 5% and 2%.

The Brent crude oil price rose sharply in the course of the six months and stood at approximately USD 67 per barrel at the end of June. However, the average price in the second quarter of 2019 of around USD 69 was still moderately lower than the previous year's figure (Q2/18: USD 75). The average price of NCG Natural Gas Year Futures, which focus primarily on western and southern Germany, remained stable at around € 19/MWh (Q2/18: € 19/MWh).

PRICE TRENDS FOR AGRICULTURAL PRODUCTS AND CRUDE OIL



IMPACT ON K+S

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

- + The K+S GROUP's energy costs are affected in particular by the cost of purchasing natural gas. Our long-term purchasing agreements with favourable conditions make us more independent of market price development. Against this backdrop the energy costs for the K+S GROUP remain at the previous year's level in the first half of the year.
- + Foreign currency hedging system: The use of hedging instruments resulted in an average exchange rate of EUR/USD 1.17 in the second quarter of 2019 including hedging costs. The average spot rate was EUR/USD 1.12 (Q2/18: exchange rate of EUR/USD 1.14 with an average spot rate of EUR/USD 1.19).
- + In a long-term comparison, prices of key soft commodities remained at a low level. Despite higher costs, e.g. for fertilizers, the resulting earnings prospects – in some cases also arising from more favourable exchange rates – continued to give farmers sufficient incentive in the reporting period to increase yield per hectare by using plant nutrients.

/ Further details on the foreign currency hedging system can be found on page 99 of the 2018 Annual Report.

SECTOR-SPECIFIC ENVIRONMENT

The conditions in the principal sales regions and the competitive positions of the individual customer segments described in the 2018 Annual Report (starting on page 33) have remained essentially unchanged.

CUSTOMER SEGMENT AGRICULTURE

In the period under review, the industry situation in the customer segment Agriculture was characterised by strong demand. Apart from seasonal particularities in several regions (e.g. a staggered pricing system for fertilizer specialties in Europe), the international prices for potassium chloride and our specialties remained essentially stable following the sharp increases during 2018 in our main sales regions of Brazil, Asia and Europe.

CUSTOMER SEGMENT INDUSTRY

Demand for products in the customer segment Industry in Europe developed positively overall in the second quarter of 2019. In the Americas the demand for products in the food processing industry remained largely stable. Demand in this region for products for the chemical industry, oil and gas, animal feed and pharmaceutical applications developed positively.

CUSTOMER SEGMENT CONSUMERS

The environment for sales of consumer products in Europe remained almost unchanged in the second quarter of 2019. In North America, demand for food-grade salts, especially premium products (sea salt and Kosher salt), and for water-softening salts developed encouragingly, however in South America we registered stiffer competition.

CUSTOMER SEGMENT COMMUNITIES

While in Europe the winter weather at the beginning of the year had a positive impact on tenders in the second quarter for the upcoming winter season, a positive impact was also generated by favourable weather conditions in North America later on in the winter, particularly in the Midwest and Canada in the first half of the year. On the US East Coast competition remained fierce.

RELATED PARTIES

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

1.4 RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

RESULTS OF OPERATIONS

KEY INDICATORS						
	Q2/18	Q2/19	%	H1/18	H1/19	%
In € million						
Revenues	811.9	878.5	+ 8.2	1,981.7	2,141.9	+ 8.1
– of which operating unit Europe+	571.9	626.8	+ 9.6	1,233.9	1,318.6	+ 6.9
– of which operating unit Americas	239.3	251.2	+ 5.0	746.5	822.4	+ 10.2
– of which reconciliation	0.7	0.4	– 34.3	1.3	0.9	– 29.2
EBITDA	105.1	130.1	+ 23.8	341.9	400.0	+ 17.0
– of which operating unit Europe+	99.8	128.4	+ 28.6	255.4	305.5	+ 19.6
– of which operating unit Americas	22.1	13.6	– 38.2	118.0	121.2	+ 2.7
– of which reconciliation	– 16.8	– 11.9	– 28.9	– 31.5	– 26.7	– 15.2
Return on capital employed (LTM, in %)	–	–	–	3.2	3.0	–

REVENUES

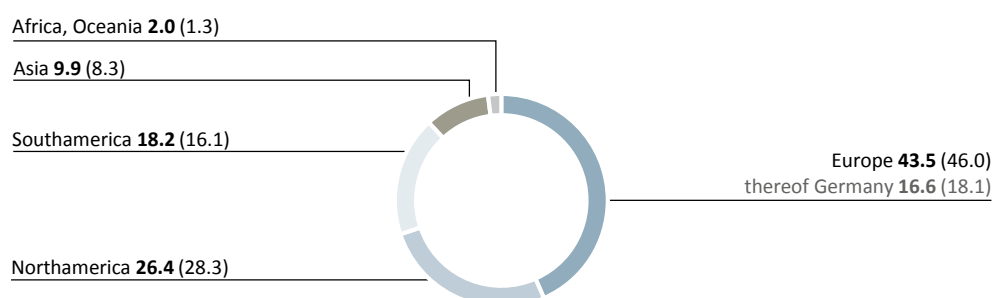
Revenues of the K+S GROUP rose to € 878.5 million in the second quarter of 2019 from € 811.9 million in the prior-year period, an increase of around 8%. Both operating units benefited from higher sales prices which were able to over-compensate a slight decline in volumes sold in the operating unit Americas. The current exchange rate level also had a positive impact on revenue development. Revenues for the first six months of 2019 rose to € 2,141.9 million (H1/18: € 1,981.7 million) on the back of the aforementioned effects.

VARIANCE COMPARED WITH PREVIOUS YEAR

in %	Q2/19	H1/19
Change in revenues	+ 8.2	+ 8.1
- volume/structure-related	- 0.4	- 2.3
- price/pricing-related	+ 5.7	+ 6.8
- currency-related	+ 3.0	+ 3.6
- consolidation-related	-	-

In the quarter under review, around 70% of revenues were generated by the operating unit Europe+ and 30% by the operating unit Americas.

REVENUES BY REGION APRIL – JUNE 2019 (IN %)



Previous year's figures in brackets

DEVELOPMENT OF SELECTED COST TYPES

The cost of sales rose to € 738.5 million in the second quarter of 2019 (Q2/18: € 711.3 million), mainly due to changes in inventories and general cost increases. Sales and distribution expenses plus general and administrative expenses decreased in the reporting period from € 87.0 million in the previous year to € 85.5 million. The cost of sales in the first half of 2019 amounted to € 1,715.7 million, up from € 1,683.2 million in the previous year, even though general and administrative expenses fell to € 166.9 million (H1/18: € 172.5 million).

In addition to the effects described, personnel expenses and freight, material and energy costs are particularly important for K+S. Personnel expenses remained virtually stable in the second quarter of 2019 at € 289.4 million (Q2/18: € 288.4 million); in the first half of the year this item came to € 588.9 million (H1/18: € 571.7 million). Freight costs, which stood at € 178.1 million in the second quarter and € 435.5 million in the first half of 2019, were up on the previous year's figures (Q2/18: € 173.2 million; H1/18: € 416.9 million). Expenses for raw materials and supplies and for purchased goods (material costs) amounted to € 135.6 million in the second quarter of 2019 (Q2/18: € 144.4 million), but rose to € 285.9 million over the entire half-year (H1/18: € 270.0 million). K+S incurred costs of € 62.7 million for energy in the second quarter (Q2/18: € 62.1 million), remaining with € 132.1 million in the first six months of the year on the level of the previous year (H1/18: € 130.2 million).

DEVELOPMENT OF EARNINGS

EBITDA for the K+S GROUP amounted to € 130.1 million in the quarter under review (Q2/18: € 105.1 million). Price-related increases in earnings were achieved in the operating unit Europe+. In the operating unit Americas, higher costs – especially for maintenance and logistics – had a disproportionately strong impact, in a seasonally weaker second quarter. Earnings after operating hedges (EBIT II) in the reporting period amounted to € 42.4 million (Q2/18: € –18.8 million) and were attributable to income arising from changes in the fair value of outstanding anticipatory hedges.

In the first half of 2019, EBITDA amounted to € 400.0 million, an increase of 17% year-on-year (H1/18: € 341.9 million). EBIT II in the first half of 2019 stood at € 214.8 million (H1/18: € 117.9 million).

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

RECONCILIATION TO OPERATING EARNINGS AND EBITDA

	Q2/18	Q2/19	H1/18	H1/19
in € million				
Earnings after operating hedges (EBIT II)	– 18.8	42.4	117.9	214.8
Income (-)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	22.2	–9.7	22.9	–4.2
Neutralisation of changes in the fair value of operating forecast hedges recognised in prior periods	10.0	–6.4	19.6	–13.8
Operating earnings (EBIT I)	13.4	26.3	160.4	196.8
Depreciation and amortisation (+)/impairment losses (+)/reversals of impairment losses (-) on non-current assets	93.4	105.2	184.6	206.0
Capitalised depreciation expenses recognised directly in equity(-) ¹	–1.7	–1.4	–3.1	–2.8
EBITDA	105.1	130.1	341.9	400.0

¹ Relates to depreciation of assets used to create other items of property, plant and equipment. Depreciation is capitalised as part of cost and not recognised in profit or loss.

FINANCIAL RESULT

The financial result for the quarter under review was € –20.9 million (Q2/18: € –24.9 million). The improvement is mainly attributable to positive exchange rate effects in the other financial result, which more than compensated for the increase in finance costs. The financial result for the first half of 2019 amounted to € –37.6 million, compared with € –55.7 million in the previous year.

/ Further details on the financial result and actuarial interest rates for provisions can be found in the Notes starting on page 25.

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

Group earnings after taxes and non-controlling interests rose to € 13.9 million in the second quarter of 2019 (Q2/18: € –32.0 million). In terms of earnings per share, this gives a figure of € 0.07 (Q2/18: € –0.17). An average number of 191.4 million outstanding no-par value shares was used as the basis for the calculation. Group earnings after taxes and non-controlling interests for the first half of the year amounted to € 123.0 million (H1/18: € 44.4 million). In terms of earnings per share, this represents an increase of € 0.41 year-on-year to € 0.64 (H1/18: € 0.23).

Group earnings after taxes adjusted for changes in the fair value of derivatives increased substantially to € 2.6 million in the second quarter of 2019 (Q2/18: € –9.4 million), resulting in a figure of € 0.01 per share, up from € –0.05 for the same quarter of the previous year. After the first six months, adjusted Group earnings after taxes stood at € 110.4 million (H1/18: € 74.2 million). Adjusted earnings per share amounted to € 0.58 in the same period compared with € 0.39 in the previous year.

RETURN ON CAPITAL EMPLOYED (ROCE)

Compared with the previous year, the return on capital employed (LTM) declined from 3.2% to 3.0% as of 30 June 2019. The higher income was offset by an above-average increase in the balance sheet total.

FINANCIAL POSITION

SLIGHT INCREASE IN INVESTMENT IN THE SECOND QUARTER VERSUS PREVIOUS YEAR

CAPITAL EXPENDITURE ¹						
	Q2/18	Q2/19	%	H1/18	H1/19	%
In € million						
Operating unit Europe+	76.1	74.0	-2.7	127.9	131.8	+3.0
Operating unit Americas	14.0	17.3	+23.9	24.0	31.5	+31.3
Reconciliation	1.1	1.8	+66.0	1.8	2.4	+33.3
K+S Group	91.2	93.1	2.1	153.7	165.7	7.8

¹ Relates to cash payments for investments in property, plant and equipment and intangible assets, taking claims for reimbursement from claim management into account excluding additions to leases in accordance with IFRS 16. The standard was applied for the first time as of 1 January 2019.

The K+S GROUP invested a total of € 93.1 million in the second quarter of 2019 (Q2/18: € 91.2 million). The slight increase compared with the prior-year period is mainly due to a more uniform distribution of the annual capital expenditure to the respective quarters in the operating unit Americas.

SIGNIFICANT IMPROVEMENT IN OPERATING AND FREE CASH FLOW

OVERVIEW OF CASH FLOWS		
	H1/18	H1/19
in € million		
Net cash flows from operating activities	292.2	517.6
Net cash flows used in investing activities	-245.0	-182.8
Free cash flow	47.2	334.8
Adjustment for purchases/sales of securities and other financial investments	47.0	-0.2
Adjusted free cash flow	94.2	334.6

Net cash flows from operating activities were lifted to € 517.6 million in the first half of 2019 from € 292.2 million in the prior-year period, rising at a faster rate than EBITDA. This item was positively impacted by higher incoming payments resulting from successful operations in the first quarter, as well as lower income tax payments and an active working capital management.

Net cash flows used in investing activities (after adjusting for purchases/sales of securities and other financial investments) amounted to just € -183.0 million (H1/18: € -198.0 million) owing to persistently high capital expenditure discipline.

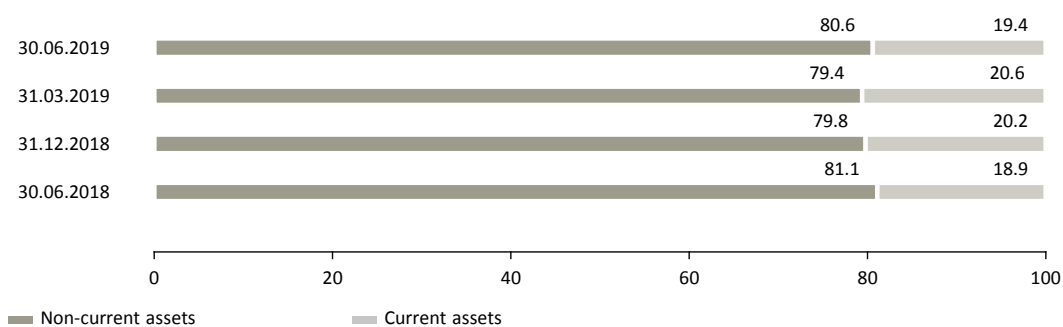
The adjusted free cash flow therefore came to € 334.6 million, up from € 94.2 million in the previous year. The increase of around € 240 million is due among other things to the improvement in operating earnings and high capital expenditure discipline, but also to an optimization of our net working capital.

Net cash flows used in financing activities stood at € -104.3 million in the reporting period (H1/18: € -24.8 million) due to repayment of short-term borrowings. As of 30 June 2019, net cash and cash equivalents amounted to € 393.9 million (31/12/2018: € 162.2 million; 30/06/2018: € 199.1 million). These capital investments relate mainly to term deposit investments, money market instruments and comparable securities with a residual term of less than three months.

NET ASSETS

Total assets of the K+S GROUP amounted to € 10,359.7 million as of 30 June 2019 (31/12/2018: € 9,966.2 million). Fixed assets rose to € 7,082.0 million (31/12/2018: € 6,687.9 million) due to the capitalisation of lease liabilities in connection with IFRS 16 and also as a result of currency factors. Cash and cash equivalents, current and non-current securities and other financial investments increased to € 416.7 million (31/12/2018: € 185.8 million) on the back of the significant improvement in the free cash flow.

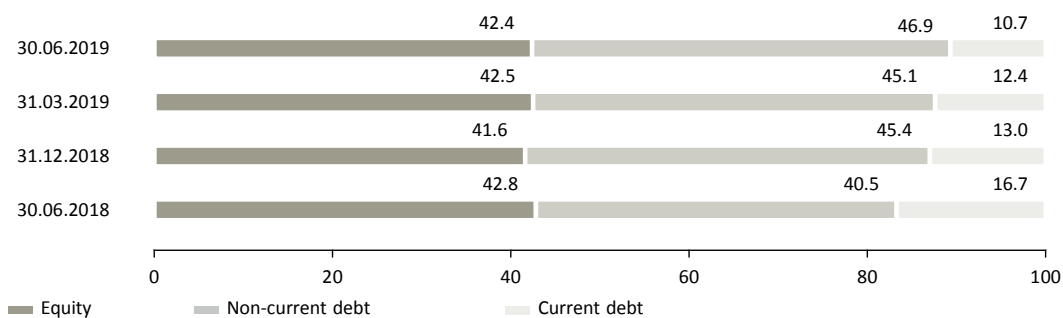
ASSETS (IN %)



At € 4,388.7 million, equity was higher than the figure as of 31 December 2018 (€ 4,144.1 million). Positive currency effects as well as the significantly improved earnings in the first half of the year gave a boost to equity. The equity ratio was 42.4% at the reporting date, up from 41.6% as of 31 December 2018.

/ Further details of the main changes in equity can be found in the Notes starting on page 28.

EQUITY AND LIABILITIES (IN %)



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

Net financial debt of the K+S GROUP at the reporting date was € 2,893.7 million (31 December 2018: € 3,241.5 million; 30 June 2018: € 2,944.2 million). The slight decrease versus 31 December 2018 was due to a significantly free cash flow.

The net debt/EBITDA ratio was reduced further since 31 December 2018 from a factor of 5.3 to a factor of 4.4 as of 30 June 2019. We are therefore well on the way to reducing our net financial debt/EBITDA ratio by the end of 2020 by half from its H1 17 level (5.6 times) as planned.

NET FINANCIAL DEBT AND NET DEBT			
	30/06/2018	31/12/2018	30/06/2019
In € million			
Cash on hand and bank balances	207.0	167.6	398.7
Non-current securities and other financial investments	7.0	7.0	7.0
Current securities and other financial investments	58.4	11.2	11.0
Financial liabilities	-3,067.6	-3,283.3	-3,247.9
Leasing obligations from finance lease contracts	-169.1	-164.2	-82.7 ¹
Reimbursement claim Morton Salt bond	20.0	20.2	20.2
Net financial debt	-2,944.2	-3,241.5	-2,893.7
Leasing obligations excluding liabilities from finance lease contracts ²			-197.1
Provisions for pensions and similar obligations	-177.2	-187.0	-240.8
Provisions for mining obligations	-1,007.9	-1,015.1	-1,015.5
Net debt	-4,129.3	-4,443.6	-4,347.1

¹ Leasing obligations that explicitly result from finance lease contracts. Previous-year figures are unadjusted.

² Inclusion of the effects arising from IFRS 16 on a pro-rata basis.

1.5 OPERATING UNITS OF THE K+S GROUP (SEGMENTS ACCORDING TO IFRS 8)

OPERATING UNIT EUROPE+

KEY FIGURES						
	Q2/18	Q2/19	%	H1/18	H1/19	%
In € million						
Revenues	571.9	626.8	+ 9.6	1,233.9	1,318.6	+ 6.9
EBITDA	99.8	128.4	+ 28.6	255.4	305.5	+ 19.6
Depreciation and amortisation	75.9	80.7	+ 6.4	150.4	158.3	+ 5.2
Capital expenditure ¹	76.1	74.0	-2.7	127.9	131.8	+ 3.0
Employees	-	-		9,774	9,332	-4.5

¹ Relates to cash payments for investments in property, plant and equipment and intangible assets, taking claims for reimbursement from claim management into account excluding additions to leases in accordance with IFRS 16. The standard was applied for the first time as of 1 January 2019.

REVENUES

In the quarter under review, revenues for the operating unit Europe+ were up almost 10% versus the figure for the prior-year period at € 626.8 million (Q2/18: € 571.9 million). Higher prices, positive currency factors and additional quantities available after the production problems at the Werra plant in the previous-year period and the increase in production at the Bethune plant contributed to this development.

In the first half of 2019, revenues for the operating unit were up almost 7% on the prior-year figure (H1/18: € 1,233.9 million) at € 1,318.6 million.

VARIANCE COMPARED WITH PREVIOUS YEAR		
	Q2/19	H1/19
in %		
Change in revenues	+ 9.6	+ 6.9
- volume/structure-related	+ 1.2	- 3.7
- price/pricing-related	+ 6.3	+ 8.4
- currency-related	+ 2.0	+ 2.1
- consolidation-related	-	-

DEVELOPMENT OF EARNINGS

EBITDA rose from € 99.8 million in the previous year to € 128.4 million in the quarter under review. This was mainly attributable to the reasons mentioned for the revenue trend, which more than compensated for the higher costs due to inflation.

In the first half of 2019, EBITDA amounted to € 305.5 million, an increase of nearly 20% year-on-year (H1/18: € 255.4 million).

PERMIT GRANTED FOR TEMPORARY STORAGE OF BRINE UNDERGROUND AT THE WERRA PLANT

At the beginning of August, the Kassel regional council approved the permit for temporary storage of up to 400,000 cubic metres of saline wastewater underground. We are thus increasing the storage capacity at the Werra plant to a total of one million cubic metres as planned. This convinces us that it is highly probable to rule out weather-related production stoppages at the Werra plant even in the event of a prolonged drought. The possibilities to dispose saline wastewater off-site, which we are also using this year, help in this regard as well.

At the end of 2021, we will suspend injection of saline water and strike out in new directions. Our goal is to be able to permanently place salt water underground in parts of the mine that are no longer in use. So far, the results are promising. Storage of brine underground would further reduce environmental impacts on the Werra and the Weser from 2022. This solution will also provide greater flexibility for production.

BETHUNE: FURTHER INITIATIVE FOR IMPROVING PRODUCT QUALITY LAUNCHED

K+S has been planning for quite some time to ramp up the quality of the potash products manufactured at its new potash plant in Bethune, Canada, by the first half of 2020. To this end, the maintenance break scheduled for the month of September will be extended to a total of two weeks. During this time, further components for sieving and cooling the products will be installed at the existing plants.

Following the start of production at the new potash plant in summer 2017, production last year reached the capacity envisaged for this start-up phase of slightly more than 1.4 million tonnes. Production of about 1.7 million tonnes is anticipated for the current year.

/ More information on this can be found in the 'Risk and Opportunity Report' on page 15.

OPERATING UNIT AMERICAS

KEY FIGURES						
In € million	Q2/18	Q2/19	%	H1/18	H1/19	%
Revenues	239.3	251.2	+ 5.0	746.5	822.4	+ 10.2
EBITDA	22.1	13.6	- 38.2	118.0	121.2	+ 2.7
Depreciation and amortisation	14.1	20.9	+ 48.7	27.8	40.7	+ 46.4
Capital expenditure ¹	14.0	17.3	+ 23.9	24.0	31.5	+ 31.3
Employees	-	-		3,474	3,388	- 2.5

¹ Relates to cash payments for investments in property, plant and equipment and intangible assets, taking claims for reimbursement from claim management into account excluding additions to leases in accordance with IFRS 16. The standard was applied for the first time as of 1 January 2019.

REVENUES

In the reporting period, revenues of the operating unit Americas rose to € 251.2 million (Q2/18: € 239.3 million) as a consequence of positive price and exchange rate effects.

In the first half of the year, revenues were up tangibly on the prior-year figure (H1/18: € 746.5 million) at € 822.4 million. This results in particular from positive price effects – both in the North American de-icing salt business and in the customer segments Industry and Consumers – as well as from positive exchange rate effects.

VARIANCE COMPARED WITH PREVIOUS YEAR		
in %	Q2/19	H1/19
Change in revenues	+ 5.0	+ 10.2
- volume/structure-related	- 4.5	- 0.1
- price/pricing-related	+ 4.2	+ 4.1
- currency-related	+ 5.3	+ 6.1
- consolidation-related	-	-

DEVELOPMENT OF EARNINGS

EBITDA for the operating unit Americas declined to € 13.6 million from € 22.1 million in the previous year. Higher costs, especially for maintenance and logistics, had a disproportionately strong impact, despite the increase in revenues in a seasonally weaker quarter.

In the first half of the year, EBITDA for the operating unit came in at € 121.2 million, marginally above the prior-year level (H1/18: € 118.0 million). The revenue increases described were offset by higher costs, especially for maintenance and logistics.

AMERICAS BUSINESS CENTER OPENS IN SANTIAGO DE CHILE

As part of SHAPING 2030, the operating unit Americas announced the opening of a shared service centre in Santiago, Chile, in July 2019. The intention is to consolidate standardised and process-oriented activities not geographically bound in a single service centre to improve the cost situation as well as the service quality of these processes.

1.6 CUSTOMER SEGMENTS OF THE K+S GROUP (NOT SEGMENTS IN ACCORDANCE WITH IFRS 8)

CUSTOMER SEGMENT AGRICULTURE

KEY FIGURES						
	Q2/18	Q2/19	%	H1/18	H1/19	%
In € million						
Revenues	383.1	440.1	+ 14.9	813.9	901.1	+ 10.7
– of which potassium chloride	199.7	280.2	+ 40.3	419.3	526.2	+ 25.5
– of which fertilizer specialities	183.4	160.0	– 12.8	394.6	374.9	– 5.0
Sales volumes (million t)	1.55	1.61	+ 3.9	3.34	3.25	– 2.7
– of which potassium chloride	0.88	1.08	+ 22.9	1.89	1.99	+ 5.3
– of which fertilizer specialities	0.68	0.54	– 20.7	1.45	1.26	– 13.2
EBITDA	64.5	95.3	+ 47.7	159.2	219.4	+ 37.8

/ A description of the market environment in the customer segment Agriculture can be found in the section entitled 'Sector-specific environment' on page 5.

- + In the customer segment Agriculture, revenues in the reporting period rose tangibly to € 440.1 million (Q2/2018: € 383.1 million), buoyed by higher prices and positive exchange rate effects as well as higher sales volumes. Of the total revenue in the customer segment Agriculture, € 280.2 million was attributable to potassium chloride (Q2/2018: € 199.7 million) and € 160.0 million to fertilizer specialties (Q2/2018: € 183.4 million). In the first half of the year, revenues in the customer segment Agriculture totalled € 901.1 million, up from € 813.9 million in the previous year.
- + The sales volume of the customer segment Agriculture rose moderately to a total of 1.61 million tonnes (Q2/2018: 1.55 million tonnes). The volumes available were higher than in the previous year, as lower volumes resulting from the closure of the Sigmundshall site at the end of 2018 were more than compensated by additional production volumes at the Bethune site in Canada and at the Werra plant thanks to improved personnel and machine availability. In the quarter under review, 0.75 million tonnes were sold in Europe (Q2/18: 0.77 million tonnes) and 0.87 million tonnes were sold overseas (Q2/18: 0.78 million tonnes). Of the total sales volume in the customer segment Agriculture, 1.08 million tonnes of potassium chloride were sold (Q2/18: € 0.88 million) and 0.54 million tonnes of fertilizer specialties were sold (Q2/18: 0.68 million tonnes). In the first half of the year, sales volumes in the customer segment Agriculture totalled 3.25 million tonnes, down from 3.34 million tonnes in the previous year.
- + Market prices continued to be supportive in the second quarter. Our average price in Europe of € 280.5/t was unchanged at the level of the first quarter of 2019 (€ 281.2/t). The decline in the average price achieved overseas compared to Q1/19 is due almost exclusively to a change in the product and regional mix: as expected, the share of fertilizer specialties in our product mix declined, as did the share of granular versus standard product. In addition, the rise in sales volumes from our Canadian production led to a change in the regional mix. Overseas market prices remained widely stable during Q2.

+ EBITDA in the customer segment Agriculture rose significantly to € 95.3 million in the second quarter (Q2/18: € 64.5 million), mainly for the reasons mentioned above in connection with revenue development. In the first half of the year, EBITDA in the customer segment Agriculture totalled € 219.4 million compared with € 159.2 million in the previous year.

CUSTOMER SEGMENT AGRICULTURE: DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY REGION¹

		Q1/18	Q2/18	H1/18	Q3/18	Q4/18	2018	Q1/19	Q2/19	H1/19
Revenues	€ million	430.8	383.1	813.9	372.3	555.0	1,741.3	461.0	440.1	901.1
Europe	€ million	258.2	201.3	459.5	174.6	241.0	875.1	274.4	209.5	483.9
Overseas	US\$ million	212.3	216.3	428.6	229.3	358.0	1,016.0	211.9	259.2	471.1
Sales volumes	million t (product)	1.79	1.55	3.34	1.44	2.07	6.85	1.64	1.61	3.25
Europe	million t (product)	0.98	0.77	1.75	0.65	0.87	3.27	0.98	0.75	1.72
Overseas	million t (product)	0.81	0.78	1.59	0.79	1.20	3.58	0.66	0.87	1.53
Average price	€/t (product)	241.1	246.5	243.6	258.4	267.9	254.2	281.7	272.6	277.2
Europe	€/t (product)	264.0	260.2	262.3	267.0	276.0	267.6	281.2	280.5	280.9
Overseas	US\$/t (product)	262.6	277.1	269.7	291.4	298.6	283.8	320.8	298.7	308.2

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 relevant product mix and should therefore be taken as a rough indication only.

CUSTOMER SEGMENT INDUSTRY

KEY FIGURES

In € million	Q2/18	Q2/19	%	H1/18	H1/19	%
Revenues	277.3	282.5	+ 1.9	552.7	564.3	+ 2.1
Sales volumes (million t) ¹	2.52	2.47	- 1.8	4.99	4.91	- 1.6
EBITDA	60.5	55.8	- 7.8	124.5	114.3	- 8.2

¹ Including brine but not including complementary sales volumes.

/ A description of the market environment in the customer segment Industry can be found in the section entitled 'Sector-specific environment' on page 5.

- + In the customer segment Industry, revenues in the reporting period rose to € 282.5 million (Q2/18: € 277.3 million); higher prices and positive exchange rate effects more than compensated for slightly lower sales volumes on the whole. Revenues for the customer segment Industry in the first six months rose to € 564.3 million (H1/18: € 552.7 million).
- + At 2.47 million tonnes, sales volumes almost matched the prior-year level (Q2/18: 2.52 million tonnes). While sales volumes of industrial products for food processing rose, sales volumes of products for the pharmaceutical industry remained more or less stable. Sales volumes of products for the oil and gas industry and animal feed fell moderately, also due to availability factors. The decrease in the sales volumes of products for the chemical industry in Europe and North America owing to availability factors was unable to be offset in full by an increase in sales volumes in South America. In the first half of the year, sales volumes in the customer segment Industry totalled 4.91 million tonnes, down from 4.99 million tonnes in the previous year.
- + EBITDA amounted to € 55.8 million, down from € 60.5 million in the previous year. Higher revenues were unable to compensate completely for higher costs. In the first half of the year, EBITDA in the customer segment Industry totalled € 114.3 million compared with € 124.5 million in the previous year.

CUSTOMER SEGMENT CONSUMERS

KEY FIGURES						
	Q2/18	Q2/19	%	H1/18	H1/19	%
In € million						
Revenues	102.7	108.5	+ 5.6	212.8	228.0	+ 7.2
Sales volumes (million t)	0.41	0.40	- 2.5	0.89	0.88	- 1.1
EBITDA	7.5	9.0	+ 21.2	17.5	25.4	+ 45.1

/ A description of the market environment in the customer segment Consumers can be found in the section entitled 'Sector-specific environment' on page 5.

- + In the customer segment Consumers, revenues in the reporting period rose to € 108.5 million (Q2/18: € 102.7 million); higher prices, especially for water-softening salts in North America, and positive exchange rate effects more than made up for lower sales volumes caused by availability factors. Revenues in the customer segment Consumers for the first six months increased to € 228.0 million (H1/18: € 212.8 million).
- + At 0.40 million tonnes, sales volumes in the customer segment Consumers were level with the prior-year figure (Q2/18: 0.41 million tonnes). In the first half of the year, sales volumes came to 0.88 million tonnes, down from 0.89 million tonnes in the previous year.
- + EBITDA climbed to € 9.0 million in the second quarter (Q2/18: € 7.5 million) and to € 25.4 million in the first half (H1/18: € 17.5 million). The revenue increases described more than compensated for higher costs.

CUSTOMER SEGMENT COMMUNITIES

KEY FIGURES						
	Q2/18	Q2/19	%	H1/18	H1/19	%
In € million						
Revenues	48.2	47.0	- 2.4	401.1	447.6	+ 11.6
Sales volumes (million t)	0.93	0.86	- 8.0	7.79	7.97	+ 2.3
EBITDA	- 10.6	- 18.1	- 70.7	72.1	67.5	- 6.3

/ A description of the market environment in the customer segment Communities can be found in the section entitled 'Sector-specific environment' on page 5.

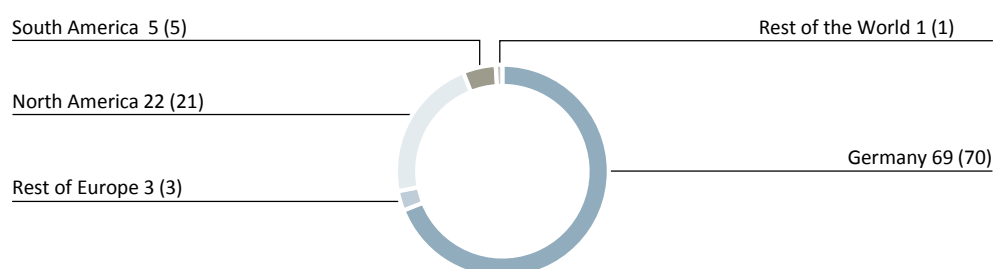
- + Revenues in the customer segment Communities in the usually seasonally weak quarter under review slipped to € 47.0 million (Q2/18: € 48.2 million). Positive price and exchange rate effects were unable to fully compensate for a negative volume effect. In the first half of the year, revenues in the customer segment Communities came to € 447.6 million, up from € 401.1 million in the previous year.
- + After the relatively strong first quarter, sales volumes of de-icing salt totalling 0.86 million tonnes in the second quarter fell short of the prior-year level (Q2/18: 0.93 million tonnes). While sales volumes increased year-on-year in Europe and the US Midwest, they declined in the other regions of the Americas. In the first half of the year, sales volumes were nevertheless raised to a total of 7.97 million tonnes from 7.79 million tonnes.
- + EBITDA fell to € -18.1 million from € -10.6 million in the previous year. A slight decrease in revenues, higher costs, especially for maintenance and logistics as well as effects from a less favourable regional mix had a disproportionately strong impact in a seasonally weaker quarter. In the first half of the year, EBITDA in the customer segment Communities totalled € 67.5 million compared with € 72.1 million in the previous year.

1.7 EMPLOYEES

NUMBER OF EMPLOYEES DOWN SLIGHTLY YEAR-ON-YEAR

As of 30 June 2019, the K+S GROUP employed a total of 14,535 people (full-time equivalents), a slight decrease on the figure for 30 June 2018 (14,809 employees). The average number of people employed over the quarter was 14,777 (Q2/18: 14,844). Just under a third of employees are located outside Germany and more than a quarter outside Europe. The number of trainees in Germany was 455 on 30 June 2019, representing an increase on the previous year (30/06/2018: 413).

EMPLOYEES BY REGION AS OF 30 JUNE 2019 (in %)



Previous year's figures in brackets

1.8 REPORT ON RISKS AND OPPORTUNITIES

Please see the relevant sections starting on page 110 of our 2018 Annual Report for a detailed description of the system for the management of risks and opportunities as well as potential risks and opportunities.

The risks to which the K+S GROUP is exposed, both in isolation and 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 REPORT ON EXPECTED DEVELOPMENTS

FUTURE MACROECONOMIC SITUATION

The following details on the future macroeconomic situation are based on forecasts by the INTERNATIONAL MONETARY FUND (IMF).

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT					
	2015	2016	2017	2018	2019e
in %; in real terms					
Germany	+ 1.5	+ 2.2	+ 2.2	+ 1.4	+ 0.7
Euro area	+ 1.6	+ 1.9	+ 2.4	+ 1.9	+ 1.3
World	+ 3.4	+ 3.3	+ 3.8	+ 3.6	+ 3.2

Source: IMF

The INTERNATIONAL MONETARY FUND expects the growth rate for global gross domestic product (GDP) to fall to 3.2% in 2019 (2018: 3.6%). This forecast is based on the assumption that capacity utilisation in the advanced economies will hardly increase at all and that production in emerging markets will only expand at a moderate rate.

FUTURE INDUSTRY SITUATION

The medium- to long-term trends described on page 127 of the 2018 Annual Report, which positively influence the demand for K+S GROUP products, still apply.

CUSTOMER SEGMENT AGRICULTURE

For 2019, we expect global potash demand to remain stable compared with the previous year (2018: over 71 million tonnes including nearly 5 million tonnes of potassium sulphate and potash grades with a lower mineral content). Following the significant recovery in overseas prices for potassium chloride (MOP) in the course of 2018, prices for fertilizer specialities followed suit in the first half of 2019. While continued robust demand for potash fertilizers is expected in Brazil next season, it is estimated that demand in China will be more subdued for a time as a consequence of the recently announced temporary import stop for potash fertilizers.

CUSTOMER SEGMENT INDUSTRY

Whereas demand for products for the food processing industry should remain more or less stable in 2019, demand for water softening salts as well as for potash and salt products for animal nutrition is likely to rise, especially in Europe. We expect a slight slowdown worldwide in demand for products for chemical applications. In the oil and gas industry, both demand for potash products in Europe and for salt products in North America should remain above the prior-year level in 2019 despite the recently observed volatility in oil prices. In South America, demand for salt for the extraction of copper from mined raw ore (copper leaching) is now expected to be stable in 2019.

CUSTOMER SEGMENT CONSUMERS

North America is among the leading sales regions for the consumer products business. Demand in this area is expected to develop positively in 2019. Consumption at the previous year's level is expected in Europe and South America as well.

CUSTOMER SEGMENT COMMUNITIES

Demand for de-icing salt in the 2018/2019 season was higher than in the previous year and stocks held by our customers, particularly in the US Midwest and in Canada, are significantly below prior-year levels. This is expected to have a positive effect on the tenders in the regions for the next winter season. On the East Coast of the United States, competition remains fierce as customers hold large inventories following another mild winter. We are forecasting a brisk early fills business for Europe, especially for Northern and Eastern Europe.

EXPECTED DEVELOPMENT OF REVENUES AND EARNINGS

For 2019 as a whole, we continue to expect a moderate increase in revenues in the K+S GROUP (2018: €4.04 billion). We also continue to anticipate that EBITDA of the K+S GROUP will rise significantly. We expect that the positive effect on earnings of a change in the euro/dollar exchange rate (assumption of an average spot rate of EUR/USD 1.15 for the remaining months of the year instead of EUR/USD 1.20) will more than make up for a temporarily more cautious estimate in response to China's import ban along with the effects on earnings of the extended maintenance break in Bethune. In light of this situation, we now expect EBITDA of the K+S GROUP to be in the range of € 730 – € 830 million (previously: € 700 – € 850 million, 2018: € 606.3 million).

In the operating unit Europe+, mainly the further increase in production at our new Bethune potash plant in Canada and the assumption that there will be no wastewater-related production standstills at the Werra plant are expected to have a positive effect, such that we still believe that revenues will probably rise moderately and EBITDA significantly as a result (revenues 2018: € 2.59 billion, EBITDA: € 443.3 million). Meanwhile, revenues and earnings in the operating unit Americas are expected to remain more or less stable (revenues 2018: € 1.45 billion, EBITDA: € 221.8 million).

Our assessment for full-year 2019 is mainly based on the following assumptions:

- + A generally positive market environment in the customer segment Agriculture is being offset by a change in the product mix. Despite the temporary slowdown due to China's passing import ban on potash fertilizers we continue to expect a moderate rise in the average price for our product portfolio for 2019 (2018: € 254/t).
- + The challenges we face at the Werra and Neuhofer plants are being tackled and product availability has already improved. Nevertheless, we expect that in 2019 the German sites will still lag behind their technically available capacity. Due to the additional efforts to improve product quality in Bethune as described above, sales volumes of 6.9 – 7.1 million tonnes for all products (previously 6.9 – 7.2 million tonnes; 2018: 6.85 million tonnes) are currently anticipated for the customer segment Agriculture.
- + At the beginning of August, the Kassel regional council approved the permit for temporary storage of up to 400,000 cubic metres of saline wastewater underground. We are thus increasing the storage capacity at the Werra plant to a total of one million cubic metres as planned. This convinces us that even in the event of a prolonged drought, it is highly probable that we will be able to rule out weather-related production standstills at the Werra facility. Against this background, we continue to assume for our above-mentioned forecast that there will be no weather-related outage days until the end of the year at this location. We are using the possibilities of off-site disposal of saline wastewater also in this year.
- + In the customer segment Communities we continue to expect sales volumes in the range of 12.5 – 13.0 million tonnes for the 2019 financial year. This forecast assumes that our sales volumes for de-icing salt will be around the long-term average level.
- + An average spot rate of EUR/USD 1.15 (previously: EUR/USD 1.20) is now assumed for the euro-dollar exchange rate for the remaining months of 2019; including the average EUR/USD exchange rate after hedging, this corresponds to an average exchange rate for the year of EUR/USD 1.16 (2018: EUR/USD 1.16).

Due to the effects described above, we likewise continue to assume a significant increase in adjusted Group earnings after taxes (2018: € 85.4 million).

ANTICIPATED FINANCIAL POSITION AND PLANNED CAPITAL EXPENDITURE

Although the capital expenditure volume of the K+S GROUP for 2019 should exceed that of the previous year (€ 443.2 million), mainly as a result of the expansion of our tailings pile capacities in Germany, the adjusted free cash flow should be significantly higher than in the previous year as a result of our operating improvements and active working capital management (2018: € –206.3 million). At the midpoint of our earnings guidance we now expect a figure of at least €100 million (before: significant increase, positive). Despite more capital being tied up, the return on capital employed (ROCE) will probably increase significantly due to anticipated markedly higher earnings (2018: 2.6%). At the operating unit level, ROCE for the operating unit Europe+ is expected to rise significantly (2018: 2.0%), while it is expected to remain significantly below the prior-year level for the Americas (2018: 7.9%).

DEVELOPMENT OF FORECASTS FOR FULL-YEAR 2019

DEVELOPMENT OF FORECASTS FOR FULL-YEAR 2019					
		ACTUAL 2018	Forecast 2018 Annual Report	Forecast Q1/19	Forecast Q2/19
K+S Group					
Revenues	€ billion	4,039.1	moderate increase	moderate increase	moderate increase
– Operating unit Europe+	€ billion	2,525.2	moderate increase	moderate increase	moderate increase
– Operating unit Americas	€ billion	1,451.0	about stable	about stable	about stable
EBITDA ¹	€ million	606.3	700 to 850	700 to 850	730 to 830
– Operating unit Europe+	€ million	443.3	significant increase	significant increase	significant increase
– Operating unit Americas	€ million	221.8	about stable	about stable	about stable
Capital expenditure	€ million	443.2	above prior year	above prior year	above prior year
Group earnings after taxes, adjusted ¹	€ million	85.4	significant increase	significant increase	significant increase
Adjusted free cash flow	€ million	–206.3	significant increase, positive	significant increase, positive	at least € 100 million
ROCE	%	2.6	significant increase	significant increase	significant increase
– Operating unit Europe+	%	2.0	significant increase	significant increase	significant increase
– Operating unit Americas	%	7.9	significant decrease	significant decrease	significant decrease
EUR/USD exchange rate	EUR/USD	1.16	1.20	1.19	1.16
Sales volumes Agriculture customer segment	million tonnes	6.85	6.9 – 7.2	6.9 – 7.2	6.9 – 7.1
Average price Agriculture customer segment	€/t	254.2	moderate increase	moderate increase	moderate increase
Sales volumes Communities customer segment	million tonnes	13.3	12.5 – 13.0	12.5 – 13.0	12.5 – 13.0

¹ The adjusted key indicators include the profit/(loss) from operating anticipatory hedges in the relevant reporting period, which eliminates effects from changes in the fair value of the hedges as well as effects from the exchange rate hedging of capital expenditure in Canadian dollars. Related effects on deferred and cash taxes are also eliminated; tax rate in Q2/19: 30.0% (Q2/18: 29.9%).

FINANCIAL STATEMENTS

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2.1 INCOME STATEMENT

INCOME STATEMENT ¹						
	Q2/18	Q2/19	H1/18	H1/19	12M/18	LTM ²
in € million						
Revenues	811.9	878.5	1,981.7	2,141.9	4,039.1	4,199.3
Cost of sales ³	711.3	738.5	1,683.2	1,715.7	3,437.9	3,470.4
Gross profit	100.6	140.0	298.5	426.2	601.2	728.9
Sales and distribution/general and administrative expenses ³	87.0	85.5	172.5	166.9	349.9	344.3
Other operating income	43.5	27.3	102.3	52.2	146.8	96.7
Other operating expenses ³	51.8	49.6	87.8	102.1	187.5	201.8
Net income from equity investments	4.3	2.6	4.4	2.8	4.2	2.6
Gains/(losses) on operating anticipatory hedges	-28.4	7.6	-27.0	2.6	-49.5	-19.9
Earnings after operating hedges (EBIT II) ⁴	-18.8	42.4	117.9	214.8	165.3	262.2
Interest income	1.8	2.7	3.1	3.7	11.6	12.2
Interest expense	28.8	32.4	58.0	63.8	120.7	126.5
Other financial result	2.1	8.8	-0.8	22.5	-3.1	20.2
Financial result	-24.9	-20.9	-55.7	-37.6	-112.2	-94.1
Earnings before tax	-43.7	21.5	62.2	177.2	53.1	168.1
Income tax expense	-11.8	7.6	17.7	54.2	10.9	47.4
– of which deferred taxes	-24.3	-9.7	-20.5	3.0	-17.9	5.6
Earnings for the period	-31.9	13.9	44.5	123.0	42.2	120.7
Non-controlling interests	0.1	–	0.1	–	0.1	–
Earnings after tax and non-controlling interests	-32.0	13.9	44.4	123.0	42.1	120.7
Earnings per share in € (basic \cong diluted)	-0.17	0.07	0.23	0.64	0.22	0.63

¹ Rounding differences may arise in percentages and numbers.

² LTM = last twelve months.

³ Previous year restated due to a structural adjustment in 2019. Delivery and transport costs were reclassified as cost of sales and recognised directly in equity, and research and development costs were reclassified to other operating expenses. The remaining sales and distribution and administrative costs were combined in the Sales and distribution/general and administrative expenses item.

⁴ Key indicators not defined in the IFRS regulations.

2.2 STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOMEES ¹						
	Q2/18	Q2/19	H1/18	H1/19	12M/18	LTM ²
in € million						
Earnings for the period	-31.9	13.9	44.5	123.0	42.2	120.7
Items of other comprehensive income that may be reclassified to profit or loss in subsequent periods	232.7	-0.7	-47.9	203.3	-49.0	202.2
Remeasurement gains/(losses) on defined benefit plans	232.7	-0.7	-47.9	203.3	-49.0	202.2
Other comprehensive income not to be reclassified to profit or loss	2.7	-35.1	-3.9	-33.9	-5.2	-35.2
Other comprehensive income/(loss) for the period, net of tax	–	–	–	–	10.7	10.7
Total comprehensive income for the period	2.7	-35.1	-3.9	-33.9	5.5	-24.5
Non-controlling interests	235.4	-35.8	-51.8	169.4	-43.5	177.7
Total comprehensive income for the period, net of tax and non-controlling interests	203.5	-21.9	-7.3	292.4	-1.3	298.4
Earnings for the period	0.1	–	0.1	–	0.1	–
Exchange differences on translation of foreign operations	203.4	-21.9	-7.4	292.4	-1.4	298.4

¹ Rounding differences may arise in percentages and numbers.

² LTM = last twelve months.

2.3 BALANCE SHEET

BALANCE SHEET – ASSETS ¹			
	30.06.2018	31.12.2018	30.06.2019
in € million			
Intangible assets	973.4	982.3	986.2
– of which goodwill from acquisitions of companies	684.6	693.2	702.5
Property, plant and equipment	6,609.1	6,687.9	7,082.0
Investment properties	5.3	6.4	6.4
Financial investments	73.2	89.1	93.9
Other financial assets	49.7	36.2	33.8
Other non-financial assets	19.8	21.9	19.3
Securities and other financial investments	7.0	7.0	7.0
Deferred taxes	111.6	92.6	90.1
Income tax refund claims	–	28.0	28.1
Non-current assets	7,849.2	7,951.2	8,346.8
Inventories	682.2	691.5	714.3
Trade receivables	631.6	836.7	685.2
Other financial assets	91.2	86.2	71.2
Other non-financial assets	124.8	172.5	96.4
Income tax refund claims	31.6	49.3	36.2
Securities and other financial investments	58.4	11.2	11.0
Cash and cash equivalents	207.0	167.6	398.7
Current assets	1,826.9	2,015.0	2,012.9
TOTAL ASSETS	9,676.1	9,966.2	10,359.7

BALANCE SHEET – EQUITY AND LIABILITIES ¹			
	30.06.2018	31.12.2018	30.06.2019
in € million			
Issued capital	191.4	191.4	191.4
Share premium	645.7	645.7	645.7
Other reserves and net retained earnings	3,299.3	3,305.4	3,550.0
Total equity attributable to shareholders of K+S Aktiengesellschaft	4,136.4	4,142.5	4,387.1
Non-controlling interests	1.6	1.6	1.6
Equity	4,138.0	4,144.1	4,388.7
Financial liabilities	2,157.4	2,741.4	2,853.2
Other financial liabilities	113.3	154.9	325.6
Other non-financial liabilities	11.0	13.2	8.3
Income tax liabilities	45.6	46.6	47.6
Provisions for pensions and similar obligations	177.2	187.0	240.8
Provisions for mining obligations	1,007.9	1,015.1	1,015.5
Other provisions	162.0	140.1	148.6
Deferred taxes	247.0	230.1	222.7
Non-current liabilities	3,921.4	4,528.4	4,862.3
Financial liabilities	910.2	541.9	394.7
Trade payables	202.6	239.7	194.0
Other financial liabilities	159.7	112.3	143.9
Other non-financial liabilities	49.3	49.9	47.4
Income tax liabilities	42.0	35.3	50.1
Provisions	252.9	314.6	278.4
Current liabilities	1,616.7	1,293.7	1,108.7
TOTAL EQUITY AND LIABILITIES	9,676.1	9,966.2	10,359.7

¹ Rounding differences may arise in percentages and numbers.

2.4 STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS ¹						
	Q2/18	Q2/19	H1/18	H1/19	12M/18	LTM ²
in € million						
Earnings after operating hedges (EBIT II)	-18.8	42.4	117.9	214.8	165.3	262.2
Income (-)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	22.2	-9.6	22.9	-4.2	25.7	-1.4
Elimination of prior-period changes in the fair value of operating forecast hedges	10.0	-6.5	19.6	-13.8	36.2	2.8
Depreciation, amortisation, impairment losses (+)/reversals of impairment losses (-)	91.8	103.8	181.5	203.2	379.1	400.8
Increase (+)/decrease (-) in non-current provisions (excluding interest rate effects)	0.3	-3.7	-1.4	-4.8	5.7	2.3
Interest received and similar income	1.3	2.3	2.6	3.6	8.3	9.3
Realised gains (+)/losses (-) on financial assets/liabilities	19.4	9.1	9.1	22.5	27.9	41.3
Interest paid (-)	-37.6	-48.5	-39.4	-53.7	-91.6	-105.9
Income tax paid (-)	-49.6	-18.2	-56.6	-23.3	-99.6	-66.3
Other non-cash expenses (+)/income (-)	-3.8	2.2	-2.5	0.9	-0.1	3.3
Gain (-)/loss (+) on sale of assets and securities	4.1	2.3	-1.8	3.4	6.7	11.9
Increase (-)/decrease (+) in inventories	-98.4	-98.7	11.8	-14.4	6.8	-19.4
Increase (-)/decrease (+) in receivables and other operating assets	165.9	219.1	162.3	250.1	-134.7	-46.9
Increase (+)/decrease (-) in liabilities from operating activities	-30.4	-8.1	-108.5	-29.4	-37.6	41.5
Increase (+)/decrease (-) in current provisions	-16.0	5.3	-24.3	-36.1	32.1	20.3
Allocations to plan assets	-1.0	-	-1.0	-1.2	-21.5	-21.7
Net cash flows from operating activities	59.4	193.2	292.2	517.6	308.7	534.1
Proceeds from sale of assets	1.9	2.2	2.1	9.2	6.4	13.5
Purchases of intangible assets	-1.3	-1.9	-2.6	-2.5	-10.0	-9.9
Purchases of property, plant and equipment	-108.4	-87.1	-196.8	-184.8	-504.7	-492.7
Purchases of financial investments	-0.2	-4.9	-0.7	-4.9	-6.7	-10.9
Proceeds from sale of securities and other financial investments	10.6	5.1	15.8	10.2	297.8	292.2
Purchases of securities and other financial investments	-57.6	-4.9	-62.8	-10.0	-295.5	-242.7
Net cash flows used in investing activities	-155.0	-91.5	-245.0	-182.8	-512.7	-450.5
Dividends paid	-67.0	-47.9	-67.0	-47.9	-	-
Repayment (-) of borrowings	-76.6	-599.0	-137.5	-794.4	-	-
Proceeds (+) from borrowings	104.7	544.5	179.7	738.0	-	-
Net cash flows from/(used in) financing activities	-38.9	-102.4	-24.8	-104.3	-	-
Cash change in cash and cash equivalents	-134.5	-0.7	22.4	230.6	-	-
Exchange rate-related change in cash and cash equivalents	10.2	-2.8	1.0	1.2	-	-
Net change in cash and cash equivalents	-124.3	-3.5	23.4	231.8	-	-
Net cash and cash equivalents as at 1 January	-	-	175.7	162.2	-	-
Net cash and cash equivalents as of 30 June	-	-	199.1	393.9	-	-
- of which cash on hand and bank balances	-	-	207.0	398.7	-	-
- of which cash invested with affiliated companies	-	-	0.1	-	-	-
- of which cash received from affiliated companies	-	-	-8.0	-4.8	-	-

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

2.5 STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY ¹									
	Issued capital	Share premium	Net retained profits/revenue reserves	Foreign currency translation reserve	Remeasurement gains/(losses) of defined benefit plans	Measurement of equity instruments at fair value	Total equity attributable to shareholders of K+S AG	Non-controlling interests	Equity
in € million									
Balance as of 1 January 2019	191.4	645.7	3,324.2	12.5	-93.6	62.3	4,142.5	1.6	4,144.1
Earnings for the period	-	-	123.0	-	-	-	123.0	-	123.0
Other comprehensive income (after tax)	-	-	-	203.3	-33.9	-	169.4	-	169.4
Total comprehensive income for the period	-	-	123.0	203.3	-33.9	-	292.4	-	292.4
Dividend for the previous year	-	-	-47.9	-	-	-	-47.9	-	-47.9
Other changes in equity	-	-	0.1	-	-	-	0.1	-	0.1
Balance as of 30 June 2019	191.4	645.7	3,399.4	215.8	-127.5	62.3	4,387.1	1.6	4,388.7
Balance as of 1 January 2018	191.4	645.7	3,349.0	61.5	-88.4	-	4,159.2	1.5	4,160.7
Adjustments resulting from the first-time application of IFRS 9	-	-	-	-	-	51.6	51.6	-	51.6
As of 1 January 2018 (adjusted)	191.4	645.7	3,349.0	61.5	-88.4	51.6	4,210.8	1.5	4,212.3
Earnings for the period	-	-	44.4	-	-	-	44.4	0.1	44.5
Other comprehensive income (after tax)	-	-	-	-47.9	-3.9	-	-51.8	-	-51.8
Total comprehensive income for the period	-	-	44.4	-47.9	-3.9	-	-7.4	0.1	-7.3
Dividend for the previous year	-	-	-67.0	-	-	-	-67.0	-	-67.0
Balance as of 30 June 2018	191.4	645.7	3,326.4	13.6	-92.3	51.6	4,136.4	1.6	4,138.0

¹ Rounding differences may arise in percentages and numbers.

2.6 NOTES

EXPLANATORY NOTES

The interim report as of 30 June 2019 has been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union. The statements have been prepared as condensed financial statements with selected explanatory notes as stipulated by IAS 34. With the exception of the changes described below, the accounting policies applied in the interim report are the same as those applied in the consolidated financial statements for the 2018 financial year.

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

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

CHANGES IN THE BASIS OF CONSOLIDATION

There were no significant changes in the basis of consolidation in the first half of 2019.

EFFECTS OF CHANGES IN ACCOUNTING POLICIES

Since the beginning of the 2019 financial year, we have been applying the new requirements of IFRS 16 Leases. In accordance with our chosen transition method, prior-year figures are not restated. Under the new standard, lessees are generally required to recognise all leases in the balance sheet in the form of a right-of-use asset and a lease liability. The distinction previously required to be made between finance leases and operating leases no longer applies. The lease liability is recognised at the present value of the future lease payments. For some classes of asset, lease and non-lease components are not separated and the total payment is taken as the basis when measuring the lease liability. The right-of-use asset is equal to the lease liability, plus any initial direct costs, prepaid lease payments and costs to be incurred in dismantling and removing the asset and restoring the site, less any incentives received.

For short-term leases of up to twelve months (and not containing a purchase option) and leases of low-value assets, an entity may elect not to recognise the right-of-use asset and the lease liability. We exercise this option and recognise the lease payments as operating expense.

In subsequent periods, the right-of-use asset is generally depreciated over the term of the lease and impairment losses are recognised where necessary. If ownership is expected to transfer at the end of the term, the asset is depreciated over its useful life. In subsequent periods, discounting of the lease liability is unwound and the lease liability reduced by the lease payments without affecting profit or loss. Depreciation charges for the right-of-use asset are allocated to function costs. Unwinding of the discount on the lease liability is presented as interest expense. Lease expense for contracts previously classified as operating leases, on the other hand, was recognised in full within function costs.

On initial application at 1 January 2019, obligations under operating leases were discounted in accordance with the IFRS 16 requirements using the appropriate incremental borrowing rate in order to determine the lease liability. The right-of-use asset to be recognised corresponded to the lease liability, where necessary adjusted for any prepaid lease payments and accrued lease liabilities or provisions. The lease liabilities also required to be recognised include non-lease components that were not separated from the lease component because the option was exercised. Some use was made of the practical expedient that permits leases ending in 2019 to be accounted for as short-term leases and not recognised in the balance sheet.

The increase in lease liabilities as of 30 June 2019 to € 380.6 million (31 December 2018: € 164.2 million) and right-of-use assets under leases to € 427.2 million (31 December 2018: leased assets of € 217.7 million) is mostly attributable to the initial application of IFRS 16. The current portion of the lease liabilities amounts to € 55.9 million (31 December 2018: € 15.7 million). Right-of-use assets are presented under the same item within property, plant and equipment that the underlying asset would have been presented under had it been purchased. The newly recognised right-of-use assets relate mainly to leased property and technical equipment and machinery. The lease liabilities are presented as other financial liabilities.

The initial application of IFRS 16 resulted in a moderate increase in EBITDA in the first half of the year and in no significant changes in equity. More detailed explanations on the requirements and effects of IFRS 16 can be found on pages 171/172 of the 2018 Annual Report.

REVENUES

Revenues (total revenues) break down as follows:

REVENUES				
	Q2/18	Q2/19	H1/18	H1/19
in € million				
OU Europe+	577.5	631.2	1,241.9	1,326.2
OU Americas	239.3	251.2	748.1	822.4
Reconciliation	-4.9	-3.9	-8.3	-6.7
Revenues	811.9	878.5	1,981.7	2,141.9

For more detailed information on revenues, please see page 6 onwards of the Management Report.

OTHER OPERATING INCOME/EXPENSES

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

OTHER OPERATING INCOME/EXPENSES				
	Q2/18	Q2/19	H1/18	H1/19
in € million				
Exchange rate gains/losses	-1.8	-2.2	-3.0	-3.1
Change in provisions	13.0	3.0	35.3	25.0
Other	-19.5	-23.2	-17.8	-71.8
Other operating income/expenses	-8.3	-22.4	14.5	-49.9

FINANCIAL RESULT

The financial result includes the following significant items:

FINANCIAL RESULT				
	Q2/18	Q2/19	H1/18	H1/19
in € million				
Finance income	1.8	2.7	3.1	3.7
Finance costs	-28.8	-32.4	-58.0	-63.8
– of which: finance costs for pension provisions ¹	-1.2	-1.6	-2.3	-3.1
– of which: finance costs for provisions for mining obligations ¹	-8.4	-6.5	-16.7	-14.2
Net interest	-27.0	-29.7	-54.9	-60.1
Expenses from the recognition of financial assets/liabilities	19.4	9.1	9.1	22.5
Income from the measurement of financial assets/liabilities	-17.3	-0.3	-9.9	-
Other financial result	2.1	8.8	-0.8	22.5
Financial result	-24.9	-20.9	-55.7	-37.6

¹The prior-year figures have been restated.

Further information on the financial result can be found on page 7 of the Management Report.

ACTUARIAL INTEREST RATE FOR PROVISIONS

The actuarial valuation of pension provisions uses the projected unit credit method in accordance with IAS 19. The average weighted actuarial interest rate for pensions and similar obligations was 2.2% as of the reporting date (31/12/2018: 3.1%; 30/06/2018: 2.9%).

Provisions for mining obligations are based on very long-term obligations for which there are no interest rates of matching maturities available on the capital market. The current practice of extrapolating from the interest rates available on the market – which, measured by the long-term environmental liabilities, are very short-term – would result in an inappropriate real interest rate of almost zero. The average weighted discount rate from 31 December 2018 is therefore used unchanged for mining obligations as of 30 June 2019.

INCOME TAXES

The following key items are included in income taxes:

INCOME TAX EXPENSE				
	Q2/18	Q2/19	H1/18	H1/19
in € million				
Corporate income tax	2.0	3.2	7.5	10.9
Trade tax	2.8	4.2	9.3	14.2
Foreign income taxes	7.7	9.9	21.4	26.1
Deferred taxes	-24.3	-9.7	-20.5	3.0
Income tax expense	-11.8	7.6	17.7	54.2

FINANCIAL INSTRUMENTS

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS					
	Measurement category in accordance with IFRS 9	30/06/2019		31/12/2018	
		Carrying amount	Fair value	Carrying amount	Fair value
in € million					
Shares in affiliated companies and other long-term equity investments	Fair value through other comprehensive income	93.7	93.7	88.8	88.8
Loans	Amortised cost	0.2	0.2	0.3	0.3
Financial investments		93.9	93.9	89.1	89.1
Trade receivables	Amortised cost	685.2	685.2	836.7	836.7
Derivatives with positive fair values	Fair value through profit or loss	17.2	17.2	13.0	13.0
Other non-derivative financial assets	Amortised cost	104.9	104.9	109.4	109.4
Other financial assets		122.1	122.1	122.4	122.4
Securities and other financial investments	Amortised cost	11.0	11.0	11.2	11.2
Securities and other financial investments	Fair value through other comprehensive income	7.0	7.0	7.0	7.0
Cash and cash equivalents	Amortised cost	398.7	398.7	167.6	167.6
Financial liabilities	Amortised cost	3,247.9	3,279.7	3,283.3	3,315.2
Trade payables	Amortised cost	194.0	194.0	239.7	239.7
Derivatives with negative fair values	Fair value through profit or loss	17.1	17.1	32.3	32.3
Other non-derivative financial liabilities	Amortised cost	71.9	71.9	70.6	70.6
Liabilities from finance leases	n/a	380.6	380.6	164.2	164.2
Other financial liabilities		469.6	469.6	267.1	267.1

The fair values of the financial instruments were generally determined on the basis of the market information available at the balance sheet date and are allocated to one of the three levels of the fair value hierarchy in accordance with IFRS 13. Level 1 financial instruments are classified based on prices quoted on active markets for identical assets and liabilities. In Level 2, financial instruments are measured using input factors that can be derived from observable market data, or based on market prices for similar instruments. Level 3 financial instruments are calculated on the basis of input factors that cannot be derived from observable market data. Shares in affiliated companies and other long-term equity investments are not consolidated due to immateriality. Fair value was calculated as the present value of the figures in the latest three-year results planning (mid-term planning) and a subsequent perpetual annuity. The Company's cost of capital has been used for discounting purposes.

					30/06/2019	
		Measurement category in accordance with IFRS 9	Level 1	Level 2	Level 3	Total
in € million						
Assets						
			–	24.2	93.7	117.9
Shares in affiliated companies and other long-term equity investments	Fair value through other comprehensive income		–	–	93.7	93.7
Derivative financial instruments	Fair value through profit or loss		–	17.2	–	17.2
Securities and other financial investments	Fair value through other comprehensive income		–	7.0	–	7.0
Equity and liabilities						
			–	17.1	–	17.1
Derivative financial instruments	Fair value through profit or loss		–	17.1	–	17.1

					31/12/2018	
		Measurement category in accordance with IFRS 9	Level 1	Level 2	Level 3	Total
in € million						
Assets						
			–	20.0	88.8	108.8
Shares in affiliated companies and other long-term equity investments	Fair value through other comprehensive income		–	–	88.8	88.8
Derivative financial instruments	Fair value through profit or loss		–	13.0	–	13.0
Securities and other financial investments	Fair value through other comprehensive income		–	7.0	–	7.0
Equity and liabilities						
			–	32.3	–	32.3
Derivative financial instruments	Fair value through profit or loss		–	32.3	–	32.3

On 26 April 2019, K+S AKTIENGESELLSCHAFT renewed and reduced an existing credit facility running until 2020 ahead of schedule and at attractive terms. The previously unused credit facility of € 1 billion is replaced with a new € 800 million credit facility with a five-year term running until 2024. Also on 26 April 2019, K+S AKTIENGESELLSCHAFT raised a term loan of € 160 million, which was disbursed at the beginning of May and likewise has a five-year term running until 2024.

MATERIAL CHANGES IN INDIVIDUAL BALANCE SHEET ITEMS

Compared with year-end 2018, total assets and total equity and liabilities had increased by € 393.5 million as of 30 June 2019.

On the assets side, non-current assets were up by € 395.6 million. Current assets decreased by € 2.1 million. The increase in non-current assets is due mainly to the rise in property, plant and equipment of € 394.1 million. This is largely attributable to the initial application of IFRS 16 Leases. Trade receivables declined by € 151.5 million and other non-financial assets by € 76.1 million. Conversely, cash and cash equivalents increased by € 231.1 million.

On the equity and liabilities side, equity increased by € 244.6 million. Non-current liabilities were up by € 333.9 million, mainly as a result of the increase in non-current financial liabilities of € 111.8 million and other financial liabilities of € 170.7 million. The rise in other financial liabilities is due mainly to the initial application of IFRS 16 Leases. In addition, provisions for pensions and similar obligations increased by € 53.8 million. Current liabilities, on the other hand, decreased by € 185.0 million, mainly as a result of the reduction in current financial liabilities of € 147.2 million, trade payables of € 45.7 million and current provisions of € 36.2 million. Conversely, other financial liabilities rose by € 31.6 million.

MATERIAL CHANGES IN EQUITY

Equity is influenced by transactions that are recognised in profit or loss or in other comprehensive income, as well as by capital transactions with shareholders. Compared with year-end 2018, net retained profits and other reserves increased by € 244.6 million. The rise is due primarily to changes in equity recognised in other comprehensive income resulting from foreign currency translation of subsidiaries reported in their functional currency (mainly Canadian and US dollars). Differences arising from foreign currency translation are recognised in a separate foreign currency translation reserve, which increased by € 203.3 million as of 30 June 2019 due to exchange rate fluctuations. The profit of € 123.0 million for the first half of 2019 also increased equity. The dividend payment of € 47.9 million led to a reduction in equity.

SEASONAL FACTORS

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

CONTINGENT LIABILITIES

Contingent liabilities have not changed significantly compared with the 2018 annual financial statements and can generally be classified as immaterial.

RELATED PARTIES

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

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

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

Kassel, 12 August 2019
K+S Aktiengesellschaft
Board of Executive Directors

SUMMARY BY QUARTER

REVENUES AND OPERATING EARNINGS									
	Q1/18	Q2/18	H1/18	Q3/18	Q4/18	2018	Q1/19	Q2/19	H1/19
in € million									
Operating unit Europe+	662.0	572.0	1,233.9	567.9	783.3	2,585.2	691.8	626.8	1,318.6
Operating unit Americas	507.2	239.3	746.5	271.0	433.5	1,451.0	571.2	251.2	822.4
Reconciliation	0.6	0.7	1.3	1.2	0.5	2.9	0.5	0.4	0.9
K+S Group revenues	1,169.8	811.9	1,981.7	840.1	1,217.3	4,039.1	1,263.5	878.5	2,141.9
Operating unit Europe+	155.6	99.8	255.4	22.2	165.7	443.3	177.1	128.4	305.5
Operating unit Americas	95.9	22.1	118.0	28.9	74.9	221.8	107.6	13.6	121.2
Reconciliation	-14.7	-16.8	-31.5	-14.7	-12.6	-58.8	-14.8	-12.0	-26.7
K+S Group EBITDA	236.8	105.1	341.9	36.4	228.0	606.3	269.9	130.1	400.0
Operating unit Europe+	51.8	76.1	127.9	97.5	126.1	351.5	57.8	74.0	131.8
Operating unit Americas	10.0	14.0	24.0	24.0	35.1	83.1	14.2	17.3	31.5
Reconciliation	0.7	1.2	1.9	2.8	3.9	8.6	0.6	1.8	2.4
K+S Group capital expenditure	62.5	91.3	153.8	124.3	165.1	443.2	72.6	93.1	165.7
Operating unit Europe+	74.5	75.9	150.4	78.4	86.9	315.7	77.6	80.7	158.3
Operating unit Americas	13.7	14.1	27.8	14.5	14.4	56.7	19.8	20.9	40.7
Reconciliation	1.6	1.7	3.3	1.6	1.8	6.7	2.1	2.2	4.2
K+S Group revenues	89.8	91.7	181.5	94.5	103.1	379.1	99.5	103.8	203.2

KEY INDICATORS									
	Q1/18	Q2/18	H1/18	Q3/18	Q4/18	2018	Q1/19	Q2/19	H1/19
in € million									
Revenues	1,169.8	811.9	1,981.7	840.1	1,217.3	4,039.1	1,263.5	878.5	2,141.9
Earnings after operating hedges (EBIT II)	136.7	-18.8	117.9	-62.1	109.5	165.3	172.4	42.4	214.8
Financial result	-30.8	-24.9	-55.7	-26.3	-30.2	-112.2	-16.7	-20.9	-37.6
Earnings before tax	105.9	-43.7	62.2	-88.5	79.4	53.1	155.7	21.5	177.2
Income tax expense	29.5	-11.8	17.7	-25.1	18.3	10.9	46.7	7.6	54.2
Earnings after tax and non-controlling interests	76.4	-32.0	44.4	-63.4	104.4	85.4	109.0	13.9	123.0
EBITDA ¹ :	236.8	105.1	341.9	36.4	228.0	606.3	269.9	130.1	400.0
Earnings after tax, adjusted ²	83.6	-9.4	74.2	-60.6	71.8	85.4	107.7	2.6	110.4
Earnings per share, adjusted ² (€)	0.44	-0.05	0.39	-0.3	0.4	0.45	0.56	0.01	0.58
Adjusted free cash flow ³	142.8	-48.6	94.2	-153.8	-146.7	-206.3	233.1	101.5	334.6
Capital expenditure ⁴	62.5	91.2	153.7	124.4	165.1	443.2	72.6	93.1	165.7
Depreciation and amortisation ⁵	89.8	91.7	181.5	94.5	103.1	379.1	99.5	103.8	203.2
Working capital	929.1	-	951.9	-	-	1,126.7	1,089.6	-	987.3
Net financial debt ⁶	2,834.0	-	2,944.2	-	-	3,241.5	2,934.8	-	2,893.7

¹ Earnings before interest, taxes, depreciation and amortisation, adjusted for depreciation and amortisation of own work capitalised recognised directly in equity, earnings from fair value changes arising from operating forecast hedges still outstanding and changes in the fair value of operating forecast hedges recognised in prior periods (EBITDA).

² The adjusted key indicators include the profit/(loss) from operating anticipatory hedges in the relevant reporting period, which eliminates effects from changes in the fair value of the hedges. Related effects on deferred and cash taxes are also eliminated; tax rate in Q2/19: 30.0% (Q2/18: 29.9%).

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

⁴ Relates to cash payments for investments in property, plant and equipment and intangible assets, taking claims for reimbursement from claim management into account excluding additions to leases in accordance with IFRS 16. The standard was applied for the first time as of 1 January 2019.

⁵ Relates to amortisation of intangible assets and depreciation of property, plant and equipment, adjusted for depreciation and amortisation of own work capitalised recognised directly in equity.

⁶ From 1 January 2019 contains leasing obligations arising explicitly from finance lease contracts concluded. Prior-year figures are reported without corresponding adjustment.

FINANCIAL CALENDAR

DATES	
	2019/2020
Quarterly Report, 30 September 2019	14 November 2019
2019 Annual Report	12 March 2020
Quarterly Report, 31 March 2020	11 May 2020
Annual General Meeting, Kassel	12 May 2020
Dividend payment	15 May 2020
Half-Yearly Financial Report, 30 June 2020	13 August 2020

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