



K+S Aktiengesellschaft

Annual General Meeting

on 12 May 2015

in Kassel

**Norbert Steiner,
Chairman of the Board of Executive Directors**

– The spoken word is binding –

K+S Aktiengesellschaft

Annual General Meeting 2015

Kassel, 12 May 2015



Dear Shareholders,
Dear Shareholder Representatives,
Dear Guests,
Ladies and Gentlemen,

on behalf of the Board of Executive Directors of K+S Aktiengesellschaft, I would like to extend to you a warm welcome to today's Annual General Meeting. We are delighted that you have accepted our invitation. I would also like to welcome representatives of the media as well as everyone who will be following my report on the Internet. It pleases us that you wish to inform yourselves about what we do and what motivates us in this way.

As in previous years, I will discuss important issues and the main areas of relevance to our work. Then, I will take a look back at financial year 2014 and then review the key figures and facts for the first quarter of the year. To conclude, we will, as usual, consider the outlook for 2015 as a whole.

To start, then, the most important issues for the K+S Group.



- “Fit for the Future”
- Strategic growth initiatives



- Appointment of women to managerial positions



- Expansion of the raw material and production base



- Further reduction of environmental impact

We have no crystal ball that allows us to look into the future. However, what we can do is *prepare* ourselves for the future. And that is what we are doing:

- We are cutting costs, we are improving organisationally – and we are improving the efficiency of production, administration and distribution. That is what our **“Fit for the Future”** programme is about. We are implementing it consistently: We are not going about it feverishly but in a focussed manner and with clear objectives.
- However, we don’t just want to improve. We also want to grow. The global population is growing – and the need for our products along with it. That represents an opportunity for our business: We want to expand into other markets, to increase value creation and boost our revenues. That is what our **strategic growth initiatives** for potash and magnesium products and salt are about.
- We do not, however, only wish to grow *organically* but to extend our raw material and production base too. That is what we are doing with our **Legacy** project, the construction of our new potash plant in Canada. Legacies are about the future: We want to provide future generations with a healthy company with a stable value and with attractive long-term prospects.

- An attractive, forward-looking company is also about employee development. The **appointment of women to managerial positions** is an important part of that. The proportion of female managers at K+S rose again last year – and without any statutory quotas! In Germany, the figure is 11.4 per cent, and that is now higher than the proportion of women in the total workforce, which is 9.2 per cent. We want to see this positive trend continue – and voluntarily, as something that we understand as lying in our own interest. At the same time, we want to appoint the most suitable candidates to vacant positions in the future too, and it goes without saying that our selection process is gender neutral.
- We are aware that our production activities inevitably entail intervening in the **natural environment**. Economic success and environmental protection are not mutually exclusive. That is demonstrated by the past, when we substantially reduced the impact of our activities on the environment with many small, but also large steps – and that will be demonstrated by the future too.

Let me take a closer look at some of the points I've mentioned and which are all of exceptional importance for the K+S Group: Where do we stand with our projects? What is the current status of Legacy? And what will happen with regard to the disposal of saline wastewater in the Hesse-Thuringia potash district?

Fit for the Future

Improve cost and organisational structures



<p style="font-size: small; margin: 0;">Modern logistic center for Werra plant</p> 	<p style="font-size: small; margin: 0;">Fleet optimization Empremar</p> 	<p style="font-size: small; margin: 0;">IT outsourcing</p> 	
<p style="font-size: small; margin: 0;">Reduction in packaging costs Europe</p> 	<p style="font-size: small; margin: 0;">Morton distribution network optimization</p> 	<p style="font-size: small; margin: 0;">Morton optimization of packaging</p> 	<p style="font-size: small; margin: 0;">Reduction of logistics warehouses Europe</p> 

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Firstly, let's consider the "**Fit for the Future**" programme that we launched in the autumn of 2013.

As you know, it involves a large number of initiatives across the entire K+S Group. We are reviewing possibilities for improvement in all areas of the company and spheres of activity, at all production sites and, of course, here in Kassel too.

Here are three examples to give you an idea of what we are working on:

- A modern logistics centre has been established at our **Werra potash plant** and it serves the entire plant. It is almost completely computer operated. This cuts costs and increases efficiency.
- At our Chilean **shipping company Empremar**, we have reduced the number of ships from three to two. If needed, additional ships will be chartered – that reduces fixed costs. In addition, we have integrated the management of the shipping company into the organisation of K+S Chile.
- Our **IT** support, has outsourced part of its infrastructure services to an external company. That saves on costs and also improves service quality from a longer term perspective. In addition, we are in a much better position to participate in technical progress because of the large scale organisation of our service partner ATOS.

The list goes on. Whether it's production, logistics or procurement – in Zielitz, Chicago or Santiago de Chile: The issue everywhere is to make our cost and organisational structure "fit for the future" in order to remain competitive internationally.



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Last saw year already saw us take a great step forward. We were even able to exceed the **savings target** that we set ourselves for 2014:

- We saved a good **€ 120 million** compared to actual costs for financial year 2013. All units of the K+S Group contributed to that.
- In addition, a sum of about **€ 30 million** recognised in profit or loss was already realised in 2013 and that is a *long-term* saving impacting 2014 and subsequent years too, as well as
- The **avoidance of expenditures and costs increases** that we would have had to bear had it not been for our active counter-measures.

Ladies and Gentlemen,

while it is easy to announce the result of our efforts, it required enormous exertion on the part of our Company. I am certainly speaking on your behalf too when I take this opportunity to express my wholehearted thanks to our employees who, with their ideas and hard work contributed to the first important and successful stage of "Fit for the Future."

These savings were in part the result of considerable, even painful, cuts. So, tasks were not only pooled or refocused. Existing tasks were also eliminated. In this regard, a good 350 jobs in the K+S Group worldwide have been shed over the past two years. No one at K+S lays off personnel easily. However, leaner, more flexible structures and processes that allow for “more rapid reaction” are necessary. That is because they also help make the Company more robust.

The savings realised thus far will also impact 2015 and will make a significant contribution to our performance. In the light of this, we are certain that we will achieve our overall goal for the years 2014 to 2016.

Projects and initiatives
Use of growth chances

K+S

Kali 2.0
Improve value creation by implementing state of the art business process management

Salt 2020
Strengthen market position by expansion into growth markets and use of synergies

Culture

Efficiency

Growth

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As I mentioned, we do not, however, only want to save but we also want to grow. This goal is served by our **strategic initiatives** in the Potash and Magnesium Products business unit and the Salt business unit: With “Potash 2.0” and “Salt 2020,” we are pursuing two programmes that will prepare our two big business units for the future even better.

At the beginning of this year, we introduced a new form of organisation into the **Potash and Magnesium Products business unit** with a view to attaining greater market orientation, higher efficiency and accelerated processes. The focus is on the in-

roduction of modern business process management and boosting value creation as a result. This will give our potash business the necessary power in what might become a harsher market environment.

In the **Salt business unit**, we are focussing on achieving further growth in selected regions and product segments. In addition, we want to expand our marketing and sales activities and to improve capacity utilisation in the global linking up of production. Last year, we organisationally combined South and North American sales activities in the case of de-icing salt. Further measures to strengthen our market position will follow.

Once again, we do not have a crystal ball. If we continue to count on **growth** in the two business units over the medium term, then that is because we are basing that assessment on *facts*. And those are unambiguous: The global population is growing annually at a rate of about 80 million people, and the trend is a rising one. However, the world in which we live is not growing and the land available for cultivation is limited. Everyone wants to have enough to eat and many want to see their standard of living improve. Thus, there will be an even greater need for our products in the future – the demand for salt, plant nutrients and high grade minerals for industry will continue to increase worldwide.

Legacy
Time and cost planning



- Overall budget adhered to
- Commissioning expected in summer 2016

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In the light of this, it is logical for us to build our new potash plant in Canada – our large scale “Legacy” project.

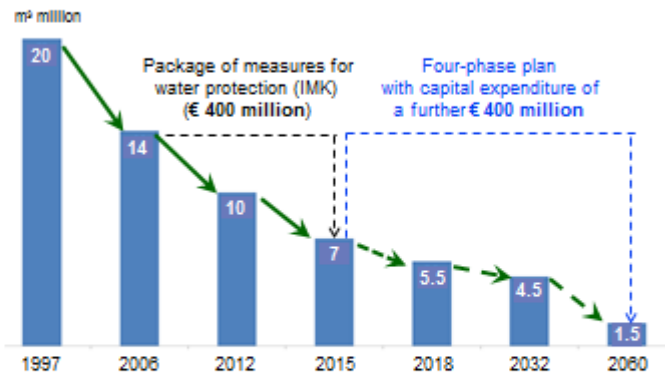
We are well on the way to commissioning the plant as planned in the summer of 2016, to producing the first tonnes of potash fertilizers towards the end of the year and, at the same time, to keeping to the capital expenditure budget of 4.1 billion Canadian dollars. More than half of the budget has been “built,” and about 85 per cent of the total capital expenditure sum has been allocated to orders for our suppliers. In the light of this, the remaining procurement risk is very manageable in the meantime.

We will be particularly occupied with the further construction of Legacy this year. Further milestones for 2015 are:

- the supplying of energy to the site,
- the preparation of further cavern fields from brine containing potash will subsequently be extracted, as well as
- the completion of the main components for factory operations.

When it comes of age, Legacy will find itself among those plants that are the leaders worldwide in terms of the lowest production costs. In addition, we will be the only potash producer producing on two continents. As a result, we’ll strengthen K+S as a whole and the cost position of our German sites.

Disposal of saline wastewater Long-term and sustainable concept



- Continuance of production until approx. 2060
- Safeguarding the future for the region and jobs
- Further relief to the environment

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Ladies and Gentlemen,

our German sites will still please us for a long time to come. Our raw material reserves in the Hesse-Thuringia potash district are sufficient for about another 45 years. Until our deposits are exhausted, we want our production there to be earnings-based but also protective of the environment and socially acceptable.

On the subject of “protecting the environment,” we have made great progress over the past few years. We are making a great effort to minimize and further reduce the environmental impact of potash production.

The demands are great. “Production without residues,” “production without liquid residues,” or “a pipeline to the North Sea” through four federal states” are just some of demands being expressed. The first is an illusion that cannot be realised anywhere in the world. The second demand – “no liquid residues” – has been unequivocally deemed technically and economically unrealisable by the leaders and scientific advisors of the roundtable, which is certainly no K+S mouthpiece. As for the final demand, the North Sea pipeline, measured in terms of the potential for ecological improvement, it too is not proportionate from an economic angle.

In the light of this, we and the Hesse ministry of the environment jointly developed, in 2014, a four-phase plan that goes further than the current, extensive package of water protection measures. It combines the economically feasible with the ecologically desirable. Beginning this year, we want to invest a further € 400 million to this end. We see this as a long-term road map for the future of the Hesse-Thuringia potash district and which is intended to enable us to achieve the following three goals in equal measure:

- First, the **continuation of potash production** until the deposits are exhausted, that is, until about 2060.
- Second, **securing the future of an entire region**, involving the preservation of more than 7,000 jobs, of which 4,000 are at the Werra potash plant alone.
- Third, the further **reduction of the burden on the environment**, the perspective being that of restoring the freshwater quality of the Werra/Weser river system.

The drafts for the Werra/Weser management plan for the years **2015 to 2021** submitted by the Weser river basin community in March of this year essentially confirm the measures contained in the four-phase plan.

However, from today's perspective, there are *no concrete and realisable measures* for the goal and target values contained in the drafts for the years **from 2021 and 2027**. How these politically motivated goals can be attained therefore remains an open issue.

Even if it is too soon to arrive at a conclusive assessment, given the draft character of the management plan, the EU Water Framework Directive passed in 2000 should in our opinion, be applied in further work on the plans to ensure their *conformity with it*. It does not promote a good ecological state "at any price." Rather, what it promotes are solutions that are line with actual water conditions and possibilities in the sense of proportionality and viability. In the light of this, a solution can allow for exceptions or less environmental targets and still fulfil EU requirements.

This requirement, in that it is not unilateral or “unconditional,” is based on the awareness that in an industrial society, restoring all water bodies to ecologically ideal states is illusory. This does not mean that everything should remain as it is. It is rather a case of exhausting the potential for improvement, of proceeding from what is “realisable” as well as ecologically and economically proportionate. This is the very requirement that we wish to satisfy with the four-phase plan.

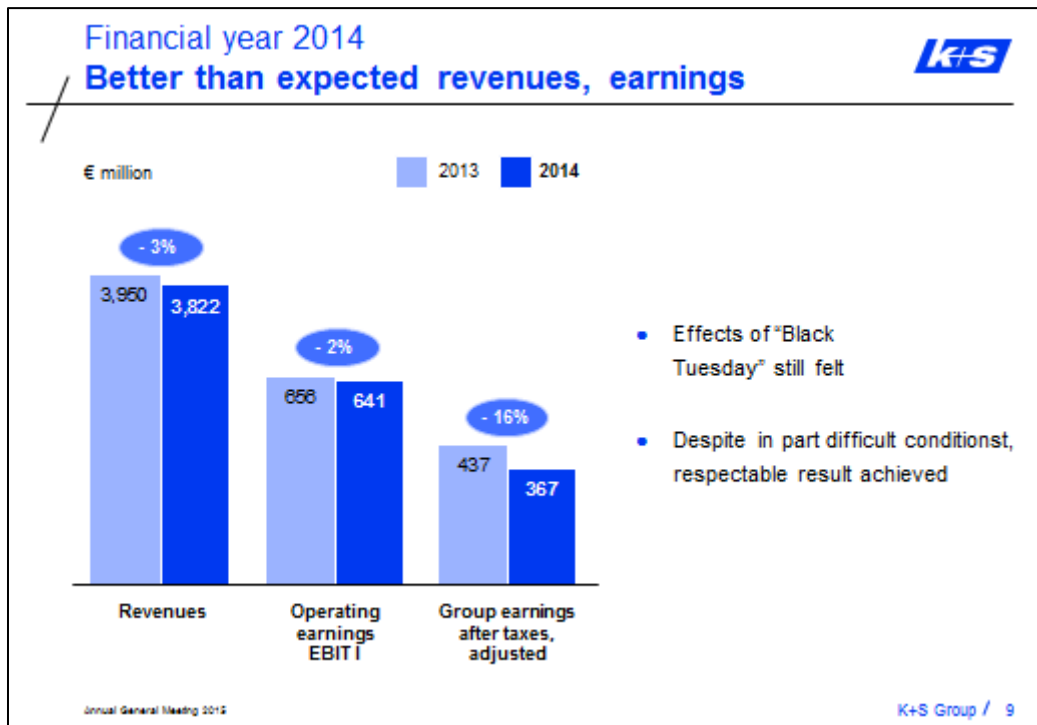
Ladies and Gentlemen,

naturally and it comes as no surprise that the implementation of this concept should prompt questions and opposition. In this regard, we were and remain ready to provide in-depth explanations to anyone who is seriously interested. However, what we disapprove of in the strongest terms, and in the interest of protecting our employees, are actions such as these...



... on the side-lines of the Weser marathon on 3 May. The question that begs to be asked is how close we are to actual violence when opposition is expressed in this way or by the symbolic burning of an effigy.

And what appals me just as much is that none of the civic initiatives who used the “Weser marathon” as a platform distanced themselves from these masked and hooded men.



Ladies and Gentlemen,

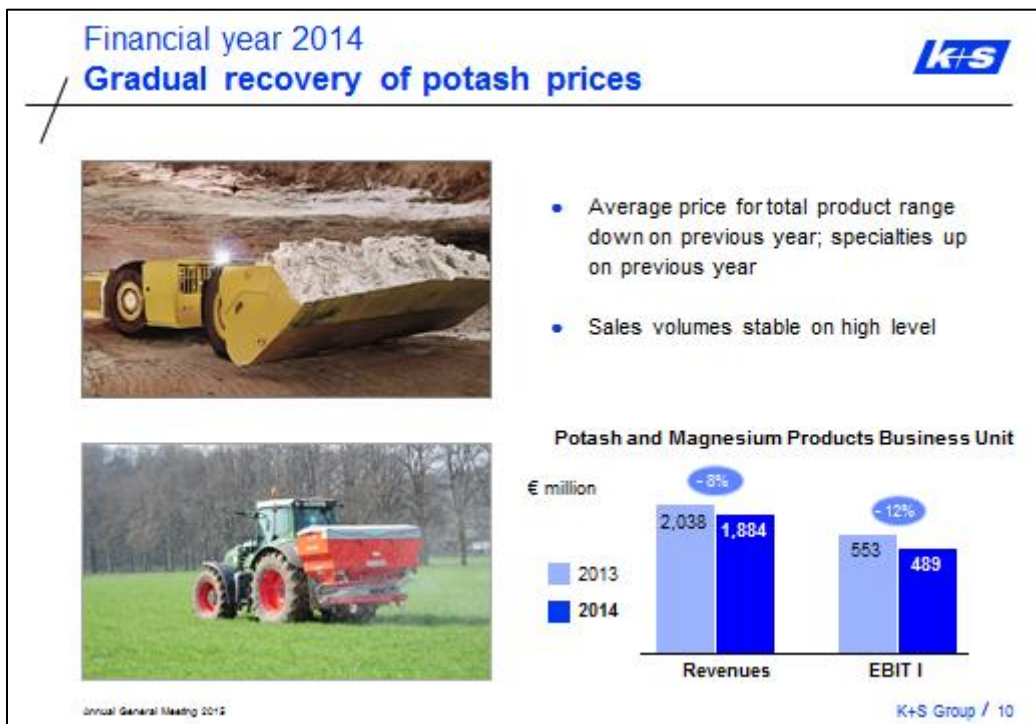
even if this is somewhat difficult to do, let’s now take a look backwards. Let’s look at the **business development** of the **K+S Group** over the past year.

2014 began in an environment characterised by great uncertainty. The plunge in the price of potassium chloride had not stopped yet, and the effects of 30 July 2013, what has been termed the “black Tuesday,” for the potash industry were still being felt.

We took up the challenge. Thanks, in no small measure, to our intensive efforts to realise savings, we were able to achieve very respectable figures despite what were in part adverse conditions.

- At € 3.8 billion, revenues were on about the same level as in the previous year.
- Operating earnings reached € 641 million and were therefore only slightly down on the previous year.
- **Adjusted Group earnings** came to € 367 million.

With these figures, we exceeded certain initial expectations for 2014, including our own. However, what is also true is that from a perspective of several years, the effects of the upheavals on the potash market are still very much in evidence.

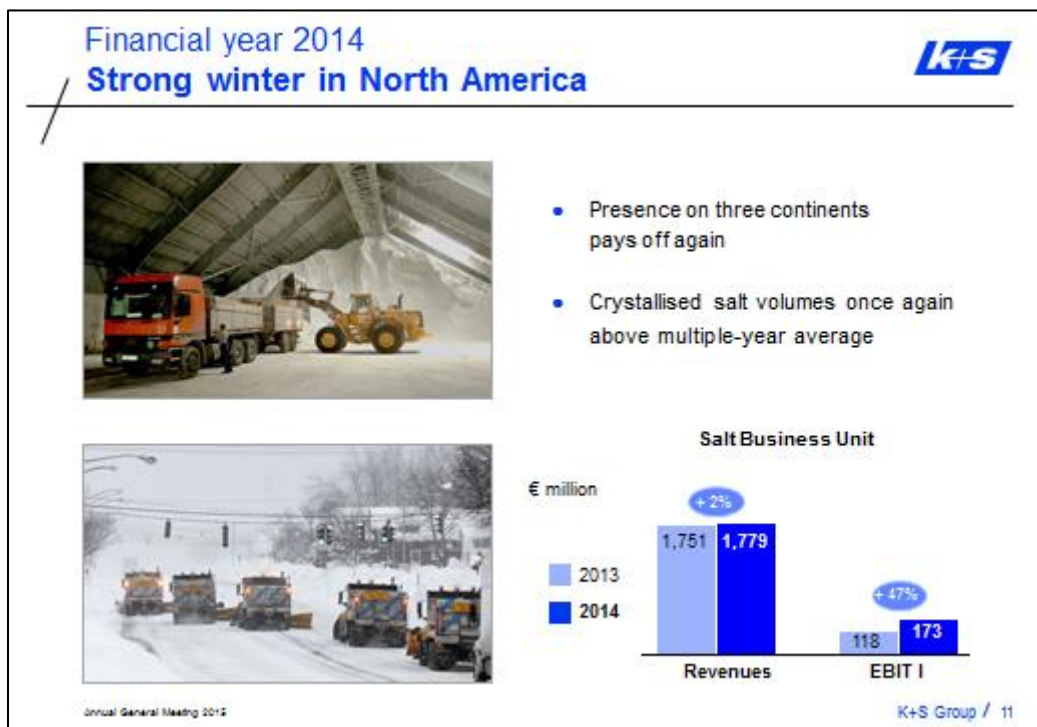


These upheavals are particularly evident in the figures for our **Potash and Magnesium Products business unit**. Both revenues and operating earnings declined accordingly.

The key factor in this regard was essentially the lower average price for our potassium chloride, our strongest product in terms of volume: However, prices did rise over the course of the years after bottoming out in the first quarter. Nevertheless, because

the starting point was much lower than a year ago, the rise was insufficient to reach the average price level for 2013.

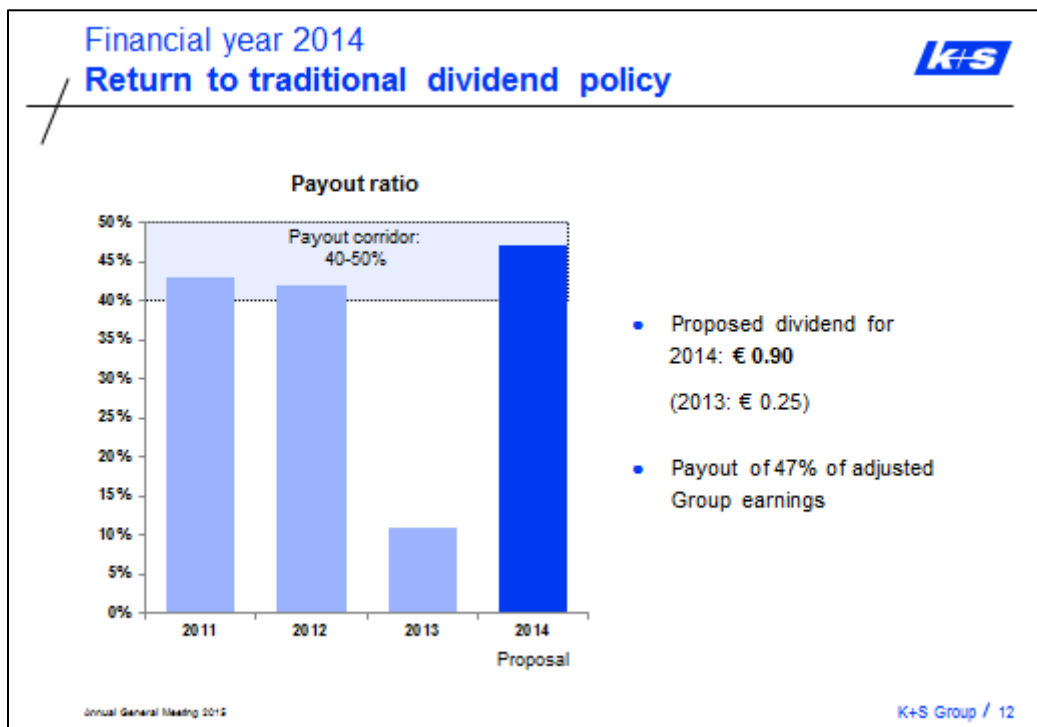
We were almost able to keep our sales volumes on the high levels of the previous year. Demand was particularly robust in Europe. Demand was also strong for our specialties, including potassium sulphate in particular, and, in terms of the year as a whole, we were able to achieve higher average prices.



In the Salt business unit, our strategy of being represented in not only one important region also paid off once again: The severe winter in North America, especially in the first quarter of 2014, was a decisive factor in offsetting the weak de-icing salt business in Europe.

As we already had a “green winter” in Europe in the previous year, the de-icing salt stocks of our customers on the home continent were still high. This put corresponding pressure on prices. Developments in North America were completely different, as low stocks resulting from the severe winter in the previous year caused prices to rise in the second half of 2014.

Our sales volumes for crystallised salt rose slightly on the previous year to 23.6 million tonnes. Therefore, they were once again above the several year average of about 22 million tonnes. Operating earnings for the business unit showed a strong improvement ultimately.



Ladies and Gentlemen,

as a result of the better than anticipated course of business in 2014, we are returning to our long-standing **dividend policy**.

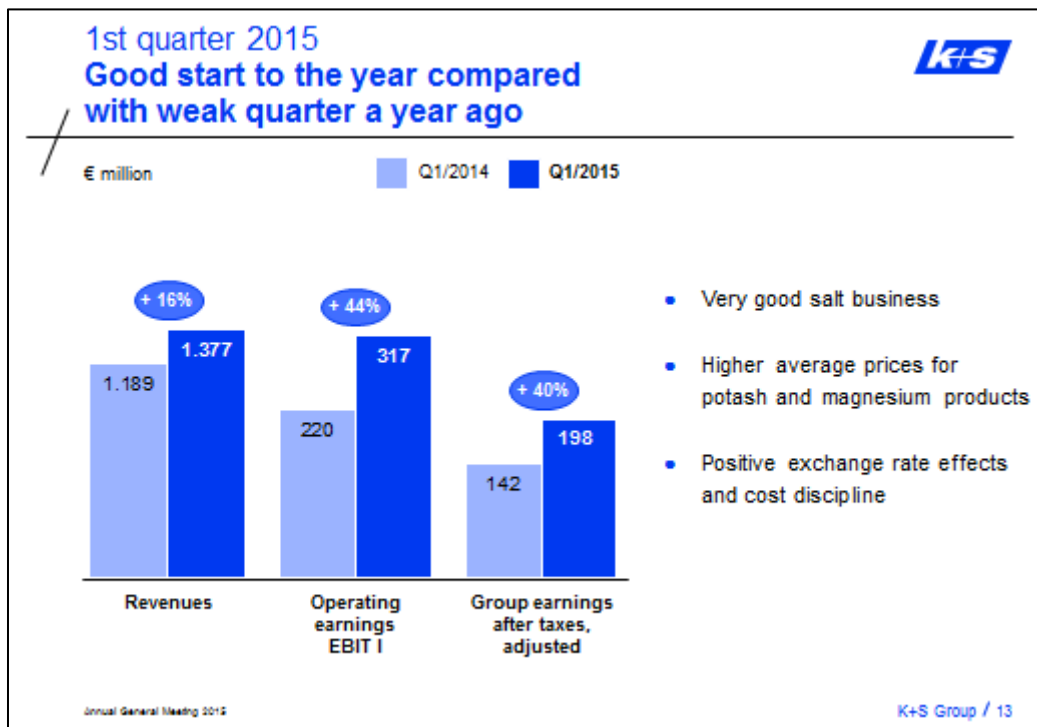
As you no doubt remember, we temporarily deviated from the policy last year. Our proposal of distributing 25 euro cents per share was shaped at the time by what remained very tangible uncertainty on the potash market. High capital expenditure, especially in connection with the Legacy project, also prompted us to take that step.

It is true that today, the potash market is still not where it was before “black Tuesday.” Capital expenditure also continues to remain high. However, we have in the meantime become much more confident than a year ago. We therefore want to and can

keep our promise and, dear shareholders, have you participate in our business success in the customary way.

The Board of Executive Directors and the Supervisory Board propose to the Annual General Meeting under Agenda Item 2 that a dividend of 90 cents per share be distributed for financial year 2014.

With a payout ratio of 47 per cent, this lies within our target payout corridor of between 40 and 50 per cent of adjusted Group earnings. As we hold no shares of our own today, this will result in a dividend payment of a good € 172 million.



The start to the current year confirms that there is a solid basis for our increased confidence regarding the further business development of the K+S Group. Let's take a look at the most important figures for the **first quarter of 2015**

- **Revenues** amounted to € 1.4 billion, which corresponds to an increase of 16 %,
- At € 317 million, **operating earnings** were up about 44 per cent on same period a year ago,

- and **adjusted Group earnings** came to € 198 million – 40 per cent more than for the reference period of a year ago.


The strong rise in earnings is primarily due to the **de-icing salt business** in North America. Demand there during the first few months was above average once again because of weather conditions and with prices higher than a year ago. In Europe, however, the winter was mild. Compared with the same period a year ago, which was already weak, there was only a slight increase in de-icing salt sales volumes.



The recovery of average prices in the **Potash and Magnesium Products** business unit also resulted in higher earnings. The exchange rate, which saw the US dollar appreciate significantly against the euro, also impacted positively on K+S. Demand for potassium chloride in the first quarter was to a large extent robust. Our fertilizer specialties business was also very good in the quarter under review.

In addition, the savings resulting from the “**Fit for the Future**” programme also made a very considerable contribution to our business success in the past quarter.

Outlook

Our expectations for 2015 as a whole



Revenues

Significantly up on previous year (2014: € billion 3.8)

EBIT I

Significantly up on previous year (2014: € million 641¹⁾)

1) incl. insurance payment of €36 million
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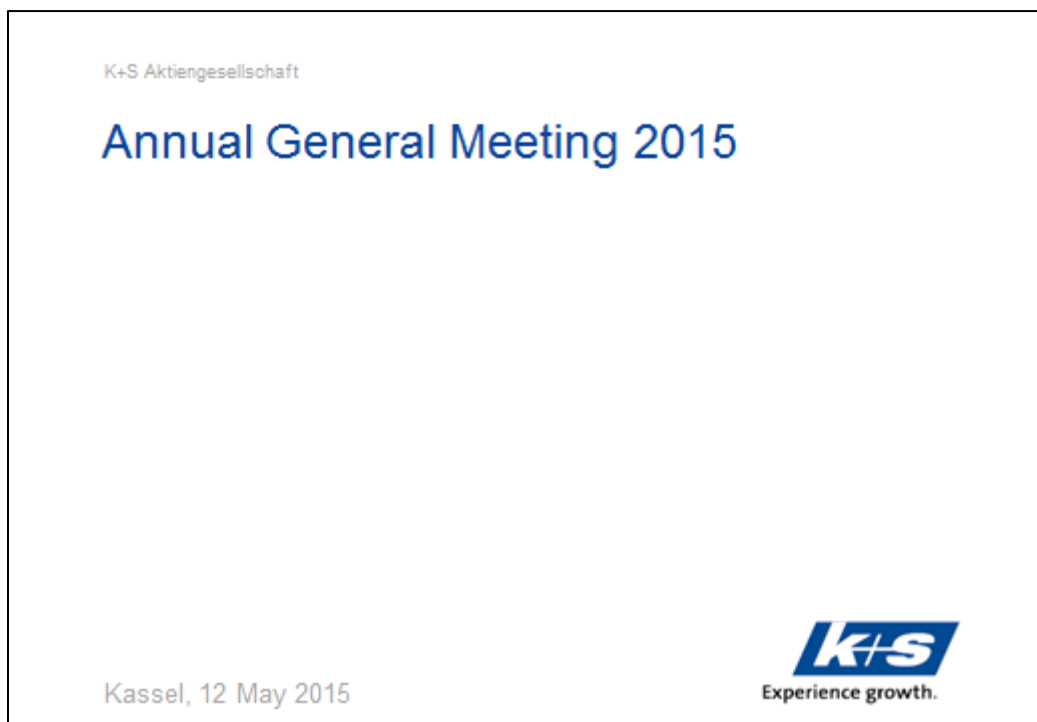
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Ladies and Gentlemen,

given the good start to the new year, we confirm the outlook for 2015 as a whole that we presented in March.

- We have even raised our **revenue** forecast slightly: We hitherto expected an average “de-icing salt year,” leading us to assume that revenues would only rise *moderately*, but as the first quarter was above average, we now expect revenues to rise *significantly*.
- Our outlook for **operating earnings** remains as it was: They should rise *significantly*.

For both business units, we expect higher average prices overall compared with the previous year. In the Potash and Magnesium Products business unit in particular, exchange rate effects should have a very appreciable positive impact. Alongside higher prices for de-icing salt, the Salt business unit should profit from good stocking-up business. The “Fit for the Future” programme will also make a considerable contribution in the current year.



Ladies and Gentlemen,

and that is our forecast for 2015.

Anyone who engages in mining and extracts raw materials must be in a position to take decisions that have long-term effects. That is something that we are able to do: We plough today and plan tomorrow.

That is because the path leading to success in coming years, to further growth and a good future has to be determined in good time. We are doing that by identifying challenges, mastering them together and always finding the right solutions in response to new developments.

We have a strong team, long-term and stable customer relationships, a broad product range, a good regional mix and salt as strong second pillar to complement our potash business. We are confident – and we hope that you share our confidence regarding the future of our K+S.

Many thanks and all the best!

This presentation contains facts and forecasts that relate to the future development of the K+S Group and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove not to be correct or should certain risks – such as those referred to in the Risk Report – materialise, actual developments and events may deviate from current expectations. The Company assumes no obligation to update the statements, save for the making of such disclosures as are required by the provisions of statute.