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## 2016 Annual Financial Statements\*

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K+S Aktiengesellschaft

\* The Management Report of K+S AKTIENGESELLSCHAFT and the Group Management Report for the 2016 financial year are combined in the 2016 Annual Report.

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## Income Statement

In € thousand	Notes	2015 <sup>1</sup>	2016
<b>Revenues</b>	<b>1</b>	<b>118,608</b>	<b>138,199</b>
Cost of sales		122,951	122,697
<b>Gross profit</b>		<b>-4,343</b>	<b>15,502</b>
Selling expenses		3,693	2,759
General and administrative expenses		29,640	22,711
Research costs		3,406	1,258
Other operating income	2	181,418	124,780
Other operating expenses	3	173,749	137,626
Income from investments	4	578,599	243,113
– of which from profit transfers		578,515	116,270
Income from other securities and loans classified as financial assets		121	1
Other interest and similar income	5	4,126	3,225
– of which from affiliated companies		902	1,331
Write-downs of long-term financial assets and securities classified as current assets		2,491	1,119
Expenses from transfer of losses	4	–	4,272
Interest and similar expenses	5	120,094	125,040
– of which from affiliated companies		36,584	37,266
Taxes on income	6	153,382	15,055
<b>Earnings after taxes / Net income</b>		<b>273,466</b>	<b>76,781</b>

<sup>1</sup> Previous year's figures based on the old legal situation. Further explanations can be found on page 6 in the 'Accounting Directive Implementation Act (BilRUG)' note. As of 31 December 2015, revenues would have amounted to T€ 124,912 if the definition of revenues in Section 271 (1) of the German Commercial Code (Handelsgesetzbuch), which was amended by the Accounting Directive Implementation Act, had already been applied from 1 January 2015.

## Balance Sheet

	Notes	31.12.2015	31.12.2016
In € thousand			
Intangible assets		11,090	8,788
Property, plant and equipment		64,010	63,468
Financial assets		5,550,809	6,570,844
<b>Fixed assets</b>	<b>9</b>	<b>5,625,909</b>	<b>6,643,100</b>
Inventories	11	1,779	1,574
Receivables and other assets	12	751,900	544,473
Securities		10,164	8,894
Cash on hand and bank balances		17,620	33,776
<b>Current assets</b>		<b>781,463</b>	<b>588,717</b>
<b>Prepaid expenses</b>	<b>13</b>	<b>22,466</b>	<b>18,216</b>
<b>Positive consolidation difference arising from offsetting of assets</b>	<b>14</b>	<b>932</b>	<b>–</b>
<b>ASSETS</b>		<b>6,430,770</b>	<b>7,250,033</b>
Subscribed capital		191,400	191,400
Capital reserve		701,616	701,616
Retained income		1,113,057	1,166,444
Accumulated profit		273,466	76,781
<b>Equity</b>	<b>15</b>	<b>2,279,539</b>	<b>2,136,241</b>
Provisions for pensions and similar obligations		–	1,409
Tax provisions		28,555	5,038
Other provisions	16	198,732	180,989
<b>Provisions</b>		<b>227,287</b>	<b>187,436</b>
<b>Liabilities</b>	<b>17</b>	<b>3,923,394</b>	<b>4,926,356</b>
<b>Deferred expenses</b>		<b>550</b>	<b>–</b>
<b>EQUITY AND LIABILITIES</b>		<b>6,430,770</b>	<b>7,250,033</b>

## Notes

### GENERAL PRINCIPLES

K+S AKTIENGESELLSCHAFT is a listed public limited company entered in the commercial register held by the Kassel District Court under number HRB 2669 with its head office at Bertha-von-Suttner-Str. 7, 34131 Kassel, Germany.

The annual financial statements of K+S AKTIENGESELLSCHAFT as at 31 December 2016 have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG). The financial year corresponds to the financial year.

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

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

### ACCOUNTING AND VALUATION PRINCIPLES

#### RECORDING OF INCOME AND EXPENSES

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

#### GOVERNMENT AND PRIVATE ASSISTANCE

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

#### INTANGIBLE ASSETS

Acquired intangible assets are recognised at acquisition cost and systematically amortised on a straight-line basis over their expected useful lives. Self-generated intangible assets are not capitalised. Unscheduled amortisation to the lower fair value is recorded in the event of a probable permanent impairment in value. If the reasons for unscheduled depreciation and amortisation cease to exist, the asset is written back to the amortised acquisition cost.

#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at acquisition or manufacturing cost less scheduled depreciation and amortisation. Besides directly attributable costs, the manufacturing costs of self-generated assets also include a pro rata share of material and production overheads, including depreciation and amortisation. Interest on debt is not capitalised.

Movable assets acquired before 1 January 2010 are depreciated largely on a sliding scale. Movable assets acquired after 31 December 2009, as well as immovable assets, are depreciated using the straight-line method.

Depreciation and amortisation rates depend on expected useful lives. For buildings these are usually 14 to 33 years, for technical equipment and machinery five to 25 years and for other factory and office equipment three to 13 years. Low-value assets, which do not exceed € 410 net, are fully depreciated in the year of their acquisition or production. Low-value assets, which exceed € 410 net, are depreciated over the respective useful life that is specific to the company.

Unscheduled depreciation and amortisation is performed in the event of a probable permanent impairment in value. If the reasons for unscheduled depreciation and amortisation cease to exist, the asset is written back to the amortised acquisition or manufacturing cost.

Gallery and excavation work is not capitalised.

#### **FINANCIAL ASSETS**

Shares in affiliated companies, investments and securities held as long-term investments are valued at acquisition cost or, in the case of a probable permanent impairment in value, at the lower fair value on the balance sheet date.

Loans are recognised at acquisition cost or, in the case of non-interest-bearing or low-interest loans, at present value. Identifiable risks are taken into account through unscheduled depreciation and amortisation.

The option to record unscheduled depreciation of financial assets even if the impairment in value is not likely to continue, is not used.

#### **INVENTORIES**

Inventories are recognised at acquisition or manufacturing cost, observing the lower-of-cost-or-market principle. Besides direct costs, manufacturing costs include appropriate portions of the necessary material and production overheads as well as the depreciation and amortisation of fixed assets, if these are caused by manufacturing.

#### **RECEIVABLES AND OTHER ASSETS**

Receivables are recognised at nominal or present value, depending on their maturity term. Individual risks are reflected by depreciation, amortisation and write-downs and general credit risk is reflected by a flat-rate value adjustment.

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

#### **CURRENT-ASSET SECURITIES**

Current-asset securities are valued at acquisition cost or at the lower of stock market price or fair value as at the balance sheet date.

#### **PREPAID EXPENSES**

Use is made of the option according to Section 250 (3) of the German Commercial Code (HGB) allowing for the accrual of discounts arising from the contracting of liabilities.

#### **OFFSETTING OF ASSETS, INCOME AND EXPENSES**

Assets that are used solely to discharge pension obligations and fulfilment shortfalls from partial retirement obligations and to which all other creditors have no access (cover fund within the meaning of Section 246 (2) (2) of the German Commercial Code (HGB)) are valued at their fair value. In the income statement, income and expenses from these assets are offset against expenses arising from the interest accrual on the relevant liabilities, and the balance is shown under Net interest income. In the balance sheet, these assets are offset against the respective underlying liabilities. The resulting surpluses are shown under Provisions for pensions and similar obligations (pension obligations) and under Other provisions (fulfilment shortfalls from partial retirement obligations). A surplus of assets is shown as a positive consolidation difference arising from the offsetting of assets.

#### **PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS**

The amount required to fulfil pension obligations is determined using the projected unit credit method, applying actuarial principles. The option according to Section 253 (2) (2) of the German Commercial Code (HGB) is used to determine the maturity-congruent discount factor. Pension obligations are discounted on a lump-sum basis according to the average market interest rate over the previous ten years determined by the German Bundesbank,

which results from an expected residual maturity of 15 years. This discount rate is 4.01% as at the balance sheet date. Effects of interest rate changes are shown in the financial result.

The salary and pension trends assumed each amount to 1.8%. The probabilities of death are based on the Heubeck mortality tables (2005G).

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

#### **OTHER PROVISIONS**

Other provisions are created for uncertain liabilities and for contingent losses from pending transactions, taking into account expected future price and cost increases. Provisions with a residual term of more than one year accrue interest according to the maturity-congruent average market interest rate for the previous seven years determined and announced by the German Bundesbank.

Provisions for mining obligations related to mine and shaft backfilling are stated at the present value of expected future expenses. The present value is calculated based on the current average discount factor for mining obligations of 3.1% and an annual price increase of 1.5%. The discount factor is based on the weighted average of the discount factors announced by the German Bundesbank. Provisions for mining damage are determined on the basis of past instances of damage in order to take account of the actual risk. The provisions for length-of-service bonuses are determined for completed periods of service in accordance with the modified entry age actual method, applying actuarial principles. The amount required to fulfil partial retirement obligations is determined according to the present value method. Effects of changes in interest rates for partial retirement obligations are shown in the financial result.

Insofar as the revaluation of provisions due to the first-time application of BilMoG on 1 January 2010 would have resulted in an amount released from reserves which would have to be appropriated again by 31 December 2024 at the latest, the provisions existing as at 31 December 2009 have been retained in full in compliance with Article 67 (1) (2) of the Introductory Act to the German Commercial Code (EGHGB). The surplus amount as at the balance sheet date is stated in the explanations for Other provisions.

#### **LIABILITIES**

Liabilities are recognised at their settlement amount.

#### **DEFERRED TAXES**

Deferred taxes are set aside to cover the temporary differences between the commercial law values and the tax values of assets, debts and prepaid expenses. Apart from the differences among its own balance sheet items, K+S AKTIENGESELLSCHAFT also takes into account reporting and valuation differences in tax group subsidiaries. Losses and interest carried forward are taken into account as long as offsetting against taxable income is realisable within the next five years. Deferred taxes are measured on the basis of the combined income tax rate of 29.3% for the tax group companies of K+S AKTIENGESELLSCHAFT. In addition to the corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% paid on it, this takes into account an average trade tax rate of 13.48%.

The overall resulting tax burden is reported in the balance sheet as a deferred tax liability. In the event of overall tax relief, the option to capitalise in Section 274 (1) (2) of the German Commercial Code (HGB) is not exercised.

As of the balance sheet date, negative consolidation differences arise as a result of differences in reporting and measuring accounts receivable – trade and receivables from affiliated companies. Positive consolidation differences result primarily from differences in the carry-

ing amounts of other provisions (in particular mining provisions), intangible assets and fixed assets. After offsetting positive and negative consolidation differences, there was an asset surplus for the year under review that was not recognised in the balance sheet.

#### VALUATION UNITS AND DERIVATIVE FINANCIAL INSTRUMENTS

No valuation units within the meaning of Section 254 of the German Commercial Code (HGB) were created during the financial year. Derivative financial instruments are carried unequally in the balance sheet in accordance with general accounting principles under commercial law. Asset-side financial derivatives are shown in the balance sheet up to their acquisition cost. If their fair value is less than their acquisition cost, the derivatives are written down to the lower fair value. In the case of a negative fair value, a provision is formed for anticipated losses. Liabilities-side financial derivatives are shown at least at the amount of the option premium received. If the negative fair value exceeds the value of the liability, a provision is formed for anticipated losses.

#### FOREIGN CURRENCY CONVERSION

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

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

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

#### ACCOUNTING STANDARDS IMPLEMENTATION ACT (BILRUG)

With the German Accounting Standards Implementation Act (BilRUG) coming into effect in July 2015, there has been a redefinition of revenues within the meaning of Section 277 (1) of the German Commercial Code (HGB) along with numerous minor changes. Under the new BilRUG regulations the subdivision of revenues and other operating income under the term 'ordinary business activities' has been dropped. K+S AKTIENGESELLSCHAFT first used the new definition for the financial year ended 31 December 2016. As a result, the amounts of the items affected by the amendment shown in the income statement and the balance sheet as of 31 December 2015 are not comparable with the amounts as at 31 December 2016.

The following items are affected by the change:

- + Revenues
- + Cost of sales
- + Other operating income
- + Other operating expenses
- + Accounts receivable – trade
- + Other assets

In addition, the items 'Extraordinary income' and 'Extraordinary expenses' are no longer included in the income statement. In the future, items that have been classified as extraordinary income and expenses to date will generally be reported under other operating income and expenses.

## NOTES TO THE INCOME STATEMENT

**(1) REVENUES**

## REVENUES BY OPERATING ACTIVITY

	2015	2016
In € thousand		
IT	42,286	44,655
Animal hygiene products	38,981	40,052
Other	37,341	53,492
	<b>118,608</b>	<b>138,199</b>

## REVENUES BY REGION

	2015	2016
In € thousand		
Germany	105,286	119,480
Rest of Europe	1,570	1,855
Overseas	11,752	16,864
	<b>118,608</b>	<b>138,199</b>

**(2) OTHER OPERATING INCOME**

	2015	2016
In € thousand		
Income from exchange rate hedging transactions	113,247	68,045
Income from foreign currency translation	44,483	37,390
Income from the reversal of provisions	6,723	12,453
Income from the charging of services to Group companies	4,002	541
Income from disposals of tangible assets	775	334
Unrealised profits from the disposal of securities	5,511	45
Income from letting and leasing	2,711	–
Income from write-ups of tangible assets	1,000	–
Sundry income	2,966	5,972
	<b>181,418</b>	<b>124,780</b>

Income from letting and leasing will be reported as revenue from fiscal year 2016 as a result of the new German Accounting Standards Implementation Act coming into effect (previous year: T€ 2,711).

Income of T€ 16,968 (previous year: T€ 9,602) is to be assigned to other financial years and results mainly from the release of provisions.

**(3) OTHER OPERATING EXPENSES**

	2015	2016
In € thousand		
Expenses from foreign currency translation	70,891	57,206
Expenses arising from exchange rate hedging transactions	51,095	48,276
Expenses for pending losses from hedging transactions	14,972	4,326
Taxes for preceding years	–	3,877
Expenses related to approval processes	4,203	3,559
Pension contributions	3,675	2,190
Expenses related to consulting expenses	7,175	1,908
Expenses for real estate	649	319
Losses from the disposal of securities	2,940	66
Expenses / refunds for closed plants	4,828	–1,245
Sundry expenses	13,321	17,143
	<b>173,749</b>	<b>137,626</b>

Expenses of T€ 3,888 (previous year: T€ 877) are attributable to other financial years and result mainly from value added tax for previous years.

**(4) INCOME FROM INVESTMENTS, NET**

	2015	2016
In € thousand		
Income from transfer of profits	578,514	116,270
Sundry income from investments	85	126,843
<b>Income from investments</b>	<b>578,599</b>	<b>243,113</b>
Expenses from transfer of losses from affiliated companies	–	–4,272
	<b>578,599</b>	<b>238,841</b>

Income from the transfer of profits consists mainly of the profit transfer of K+S SALZ GMBH, K+S ENTSORGUNG GMBH, K+S TRANSPORT GMBH and K+S VERSICHERUNGSVERMITTLUNGS GMBH. The remaining income from investments comes from K+S INVESTMENTS LIMITED and K+S FINANCE BELGIUM BVBA.

**(5) INTEREST INCOME, NET**

	2015	2016
In € thousand		
Other interest and similar income	4,127	3,225
– of which from affiliated companies	902	1,331
Income from other securities and loans classified as financial assets	120	1
– of which from affiliated companies	–	–
<b>Interest and similar income</b>	<b>4,247</b>	<b>3,226</b>
Interest expenses in allocations to pension and partial retirement provisions offset against income/expenses from cover fund	–5,910	–1,993
– of which interest expenses in allocations to pension provisions	–12,444	–2,993
– of which income/expenses from cover fund for pension provisions	6,553	1,000
– of which interest expenses in allocations to partial retirement provisions	–19	–
Expenses from the accumulation of other long-term provisions	–19,045	–20,479
Other interest and similar expenses	–95,139	–102,568
– of which to affiliated companies	–36,584	–37,266
<b>Interest and similar expenses</b>	<b>–120,094</b>	<b>–125,040</b>
	<b>–115,847</b>	<b>–121,815</b>

**(6) TAXES**

	2015	2016
In € thousand		
Taxes on income	153,382	15,055
Other taxes	837	4,470
	<b>154,219</b>	<b>19,525</b>

Expenses of T€ 3,823 related to previous years is included in taxes on income (previous year: Income: T€ 5,941).

Other taxes are allocated to individual operating areas.

**(7) COST OF MATERIALS**

	2015	2016
In € thousand		
Cost of raw materials and supplies and goods purchased for resale	22,943	23,525
Cost of external services	47,889	40,935
	<b>70,832</b>	<b>64,460</b>

**(8) PERSONNEL EXPENSES**

	<b>2015</b>	<b>2016</b>
In € thousand		
Wages and salaries	70,277	61,085
Social security contributions	9,502	11,447
Pension expenses	4,812	3,114
Other employee benefit costs	49	54
	<b>84,640</b>	<b>75,700</b>

Pension expenses do not include the interest portion of the allocations to pension provisions. This is reported as an interest expense in interest income, net.

## NOTES TO THE BALANCE SHEET

## (9) FIXED ASSETS

	Gross carrying amounts					Depreciation and amortisation						Net carrying amounts	
	Balance as at 1 January 2016	Additions	Disposals	Reclassifications	Balance as at 31 December 2016	Balance as at 1 January 2016	Additions	Disposals	Reclassifications	Write-ups	Balance as at 31 December 2016	Balance as at 31 December 2016	Balance as at 31 December 2015
In € thousand													
<b>Intangible assets</b>													
Acquired concessions, industrial and similar rights and assets, and licences in such rights and assets	26,568	1,384	669	75	27,358	15,627	4,841	669	–	–	19,799	7,559	10,941
Prepayments	148	1,156	–	–75	1,229	–	–	–	–	–	–	1,229	148
	26,716	2,540	669	–	28,587	15,627	4,841	669	–	–	19,799	8,788	11,090
<b>Property, plant and equipment</b>													
Land, land rights and buildings including buildings on third-party land	82,682	484	318	–	82,848	42,844	1,472	316	–	–	44,000	38,848	39,838
Technical equipment and machinery	43,176	1,722	149	–	44,749	27,137	2,000	149	–	–	28,988	15,761	16,039
Other equipment, operating and office equipment	54,552	2,046	341	61	56,318	46,621	3,643	336	–	–	49,928	6,390	7,931
Prepayments and assets under construction	202	2,328	–	–61	2,469	–	–	–	–	–	–	2,469	202
	180,612	6,580	808	–	186,384	116,602	7,115	801	–	–	122,916	63,468	64,010
<b>Financial assets</b>													
Shares in affiliated companies	5,577,730	1,020,092	–	–	6,597,822	27,014	52	–	–	–	27,066	6,570,756	5,550,717
Investments	66	–	–	–	66	–	–	–	–	–	–	66	66
Securities held as long-term investments	–	–	–	–	–	–	–	–	–	–	–	–	–
Other loans and financial assets	27	1	6	–	22	–	–	–	–	–	–	22	26
	5,577,823	1,020,093	6	–	6,597,910	27,014	52	–	–	–	27,066	6,570,844	5,550,809
<b>Fixed assets</b>	<b>5,785,151</b>	<b>1,029,213</b>	<b>1,483</b>	<b>–</b>	<b>6,812,881</b>	<b>159,243</b>	<b>12,008</b>	<b>1,470</b>	<b>–</b>	<b>–</b>	<b>169,781</b>	<b>6,643,100</b>	<b>5,625,909</b>

**(10) FINANCIAL ASSETS**

The statement of shareholdings according to Section 285 (11) and (11b) of the German Commercial Code (HGB) is presented separately in the 'List of shareholdings'.

**CURRENT ASSETS****(11) INVENTORIES**

	2015	2016
In € thousand		
Raw materials and supplies	1,607	1,540
Unfinished goods, work in progress	172	34
	<b>1,778</b>	<b>1,574</b>

**(12) RECEIVABLES AND OTHER ASSETS**

	2015	2016
In € thousand		
Accounts receivable – trade	14,146	15,448
Receivables from affiliated companies	696,676	482,451
Other assets	41,078	46,574
– of which with a residual term of more than one year	91	202
	<b>751,900</b>	<b>544,473</b>

Of the receivables from affiliated companies, T€ 128,746 (previous year: T€ 97,959) were receivables from payment transactions within the Group and T€ 116,270 (previous year: T€ 578,515) were receivables from profit and loss transfer. Receivables from investment income were T€ 126,839 (previous year: T€ 85). Moreover, T€ 92,742 related to short-term receivables arising from the issue of a short-term loan to a subsidiary. They consist primarily of trade receivables of T€ 17,854 (previous year: T€ 10,069).

**(13) PREPAID EXPENSES**

Prepaid expenses consist of discounts of T€ 3,436 (previous year: T€ 4,236) within the meaning of Section 250 (3) of the German Commercial Code (HGB).

**(14) POSITIVE CONSOLIDATION DIFFERENCES ARISING FROM OFFSETTING OF ASSETS AND PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS**

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

As of the balance sheet date, the amount required to fulfil pensions and similar obligations was T€ 114,190 (without taking into account liabilities from deferred compensation). Offset against the fair value of the cover fund amounting to T€ 112,782, this results in a provision for pensions and similar obligations shown on the balance sheet of T€ 1,408. In addition, there are liabilities from deferred compensation of T€ 1,935, which are covered by concurrent insurance policies. The settlement amount was offset in full against the fair value of the insurance policies (T€ 1,935).

Due to a change in the law in March 2016, the average time for determining the interest rate provision for retirement benefits has been raised from seven to ten years. The difference amounts to T€ 9,723.

The cover fund comprises securities, reinsurance policies and bank balances. The securities are valued at their market prices and cash and bank balances at their par value as at the balance sheet date. The fair value of the reinsurance policies was determined on the basis of the cover funds of the insurance policies, plus any available excess from profit sharing. The acquisition cost of the cover fund is T€ 119,285.

**(15) EQUITY****SUBSCRIBED CAPITAL**

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

**AUTHORISED CAPITAL**

As at 31 December 2016, the Company's authorised capital totalled € 38.28 million (nominal), which can be issued in tranches or through the issuance of a maximum of 38,280,000 no-par bearer shares.

The Board of Executive Directors was authorised by the Annual General Meeting on 12 May 2015 to increase the Company's share capital, with the consent of the Supervisory Board, by a total of € 19,140,000.00, in one or several issuances, by issuing a maximum of 19,140,000 new no-par bearer shares (authorised capital) during the period to 11 May 2020. The Board of Executive Directors was further authorised on 11 May 2016 to increase the Company's share capital, with the consent of the Supervisory Board, by a total of € 19,140,000.00, in one or several issuances, by issuing a maximum of 19,140,000 new no-par bearer shares (authorised capital II) during the period to 10 May 2021.

**DETAILS OF OWN SHARES**

During the 2016 financial year, the company acquired 165,000 of its own shares for employee share programmes at an average price of € 19.99. The maximum arithmetical proportion of the acquired shares in the share capital was 0.09%, and the amount of the share capital allocated to the acquired shares was T€ 165. Shares not issued to employees were sold on the free market at a price of € 21.99. The resulting difference of T€ 31 was offset against revenue reserves in accordance with Section 272 (1b) (3) of the German Commercial Code (HGB). The company holds no shares of its own as at the balance sheet date.

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

**CAPITAL RESERVE**

	2015	2016
In € thousand		
Balance as at 1 January	701,616	701,616
Balance as at 31 December	701,616	701,616

**OTHER RETAINED INCOME**

	2015	2016
In € thousand		
Balance as at 1 January	1,103,000	1,113,057
Differential amount from the sale of own shares	-16	31
Allocation in accordance with resolution passed by the Annual General Meeting	10,073	53,356
<b>Balance as at 31 December</b>	<b>1,113,057</b>	<b>1,166,444</b>

## ACCUMULATED PROFIT

	2015	2016
In € thousand		
Accumulated profit as at 1 January	182,333	273,466
Dividend payment for previous year	-172,260	-220,110
Allocation to other revenue reserves (resolution passed by the Annual General Meeting)	-10,073	-53,356
Net income	273,466	76,781
<b>Accumulated profit as at 31 December</b>	<b>273,466</b>	<b>76,781</b>

**(16) OTHER PROVISIONS**

Other provisions adequately take all identifiable risks from pending transactions and uncertain liabilities into account. They arise mainly from mining obligations. In addition, there are primarily provisions for pending losses from hedging transactions and for personnel obligations.

There were no surplus amounts of other provisions within the meaning of Article 67 (1) (4) of the Introductory Act to the German Commercial Code (EGHGB), resulting from the changeover to the BilMoG, as at the balance sheet date (previous year: T€ -).

In the balance sheet, provisions for fulfilment shortfalls from partial retirement obligations were offset against assets to which creditors have no access and which are intended solely for the fulfilment of partial retirement obligations.

	2015	2016
In € thousand		
Amount required to fulfil partial retirement obligations	295	-
Fair value of cover fund	211	-
Net value of partial retirement obligations (provision)	84	-
<b>Acquisition cost of cover fund</b>	<b>211</b>	<b>-</b>

The cover fund includes balances with banks. Balances with banks were valued at their par value as at the balance sheet date.

**(17) LIABILITIES**

	2015	2016
In € thousand		
Bonds	1,500,000	1,500,000
Liabilities to banks	28,000	970,000
Accounts payable – trade	9,017	8,332
Liabilities to affiliated companies	2,373,453	2,388,929
Other liabilities	12,923	59,094
– of which tax liabilities	1,045	899
– of which social security liabilities	332	277
	<b>3,923,394</b>	<b>4,926,356</b>

Of the liabilities to affiliated companies, liabilities from internal Group financing account for T€ 2,360,264 (previous year: T€ 2,347,602).

Liabilities with a residual term of up to one year consist of:

	2015	2016
In € thousand		
Liabilities to banks	28,000	310,000
Accounts payable – trade	9,017	8,332
Liabilities to affiliated companies	1,633,955	1,651,296
Other liabilities	12,415	18,643
	<b>1,683,387</b>	<b>1,988,271</b>

Liabilities with a residual term of more than one year consist of:

	2015	2016
In € thousand		
Bonds	1,500,000	1,500,000
Liabilities to banks	–	620,000
Accounts payable – trade	–	–
Liabilities to affiliated companies	739,498	737,633
Other liabilities	452	40,451
	<b>2,239,950</b>	<b>2,898,084</b>

Liabilities with a residual term of more than five years consist of:

	2015	2016
In € thousand		
Liabilities to banks	–	40,000
Other liabilities	55	–
	<b>55</b>	<b>40,000</b>

## OTHER INFORMATION

No further significant changes have occurred in the economic environment or in the position of the industry since the end of the financial year.

There were no extraordinary or significant income or expenses in the reporting year.

**(18) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS**

## CONTINGENT LIABILITIES

	2015	2016
<i>In € thousand</i>		
Liabilities from guarantees	423,321	592,488
– of which for affiliated companies	416,919	586,038
	<b>423,321</b>	<b>592,488</b>

Based on the asset, financial and earnings position as at the balance sheet date, the risk of a claim from contingent liabilities was considered low.

## OTHER FINANCIAL OBLIGATIONS

	2015	2016
<i>In € thousand</i>		
Commitments from incomplete capital expenditure projects	2,789	1,837
Commitments from long-term rental, leasing and service contracts		
due in the following year	14,509	21,352
– of which to affiliated companies	–	–
due in 2 to 5 years	50,904	61,669
– of which to affiliated companies	–	–
	<b>68,202</b>	<b>84,858</b>

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

**(19) EMPLOYEES**

	2015	2016
<i>Annual average</i>		
Employees covered by collective wage agreements	458	515
Employees not covered by collective wage agreements	334	369
Trainees	17	16
	<b>809</b>	<b>900</b>

## (20) DERIVATIVE FINANCIAL INSTRUMENTS

No valuation units within the meaning of Section 254 of the German Commercial Code (HGB) were created during the financial year.

The following derivatives were held as at 31 December 2016:

In € thousand	Nominal values <sup>1</sup>	Fair values	Carrying amounts <sup>2</sup>
USD/EUR forward exchange transactions maturing in 2017			
– positive fair values	338,643	16,863	–
– negative fair values	157,342	–2,318	–2,318
CAD/EUR forward exchange transactions maturing in 2017			
– positive fair values	97,266	1,433	–
– negative fair values	179,814	–2,009	–2,009
GBP/EUR forward exchange transactions maturing in 2017			
– positive fair values	6,490	116	–
– negative fair values	–	–	–
Cross-currency swap			
– positive fair values	28,333	8,141	–
– negative fair values	–	–	–
Interest caps maturing in 2019			
– positive fair values	140,000	182	–
– negative fair values	–	–	–
Interest caps maturing in 2021			
– positive fair values	118,000	1,260	–
– negative fair values	–	–	–

<sup>1</sup> Translated into euros using weighted hedging rates

<sup>2</sup> Reported under Other provisions.

The fair values calculated correspond to the value upon early notional termination as at the balance sheet date. The values are calculated using recognised financial accounting methods generally used by market participants. These calculations were based particularly on the following parameters that applied on the balance sheet date:

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

## (21) INFORMATION ON AMOUNTS EXCLUDED FROM DISTRIBUTION

An amount excluded from distribution of T€ 23,075 (previous year: T€ 14,426) arises from the capitalisation of assets at fair value (cover fund) in accordance with Section 268 (8) of the German Commercial Code (HGB) as at the balance sheet date. The available reserves exceed the amount excluded from distribution. There was no dividend payment restriction in relation to accumulated profit.

## (22) AUDITOR'S FEES

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

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

	2015	2016
In € thousand		
Total remuneration of the Supervisory Board	2,007	2,031
– of which fixed	1,909	1,930
– of which performance-related	–	–
Total remuneration of the Board of Executive Directors	6,732	4,206
– of which fixed	2,388	2,222
– of which performance-related	3,570	1,851
– of which LTI programme	619	–
Total remuneration of former members of the Board of Executive Directors and their surviving dependents	1,498	1,771
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	19,855	18,155

Dr Andreas Radmacher resigned from the Board of Executive Directors with effect from 29 February 2016; his mandate expired on 31 August 2016. In addition to the disclosed total remuneration as a member of the Board of Executive Directors, Dr Radmacher received the following remuneration for the remaining time of his mandate from 1 March to 31 August: Fixed remuneration of T€ 210.0, fringe benefits of T€ 28.9, single-year variable remuneration of T€ 386.7, general compensation from the long-term incentive programme for the periods 2014 – 2017, 2015 – 2018 and 2016 – 2019 of T€ 95.0, pension expenses of T€ 258.1 as well as a compensation according to restraint on competition for 24 months after resignation of T€ 27.0 per month.

## (24) DECLARATION ON CONFORMITY CONCERNING THE GERMAN CORPORATE GOVERNANCE CODE

The declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) concerning the recommendations made by the 'Government Commission on the German Corporate Governance Code' has been made by the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT for 2016/2017 and is available to shareholders on the K+S Group website ([www.k-plus-s.com](http://www.k-plus-s.com)).

## (25) LIST OF SHAREHOLDINGS

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

Balance as of 31 December 2016

Company name	Company's registered office		Capital share	Currency	Price	Equity	Result for the year
1. K+S Verwaltungs GmbH	Kassel	Germany	100.00%	EUR		24	0
1. K+S Verwaltungs GmbH & Co. Erwerbs KG	Kassel	Germany	100.00%	EUR		10	0
3. K+S Verwaltungs GmbH & Co. Erwerbs KG	Kassel	Germany	100.00%	EUR		9	0
4. K+S Verwaltungs GmbH	Kassel	Germany	100.00%	EUR		309	0
Beienrode Bergwerks-GmbH	Kassel	Germany	89.80%	EUR		1,347	3
Börde Container Feeder GmbH	Haldensleben	Germany	33.30%	EUR		928	228 <sup>4</sup>
Canadian Brine Ltd.	Pointe Claire	Canada	100.00%	CAD	1.42	532	–34 <sup>6</sup>
Chemische Fabrik Kalk GmbH	Cologne	Germany	100.00%	EUR		11,708	484
Compania Minera Punta de Lobos Ltda.	Santiago de Chile	Chile	99.64%	USD	1.05	1,898	2,113 <sup>6</sup>
Deutscher Straßen-Dienst GmbH	Hanover	Germany	100.00%	EUR		60	1,093 <sup>1</sup>
Empresa de Servicios Ltda.	Santiago de Chile	Chile	99.65%	USD	1.05	419	0 <sup>6</sup>
Empresa Maritima S.A.	Santiago de Chile	Chile	99.59%	USD	1.05	27,689	3,786 <sup>6</sup>

esco - european salt company GmbH & Co. KG	Hanover	Germany	100.00%	EUR		111,407	-39,655
esco benelux N.V.	Diegem	Belgium	100.00%	EUR		12,871	174
esco france S.A.S.	Levallois-Perret	France	100.00%	EUR		11,022	2,006
esco Holding France S.A.S.	Dombasle sur Meurthe	France	100.00%	EUR		22,145	2,781
esco international GmbH	Hanover	Germany	100.00%	EUR		40,903	2,056
esco Nordic AB	Göteborg	Sweden	100.00%	SEK	9.55	5,020	3,281
esco Spain S.L.	Barcelona	Spain	100.00%	EUR		1,681	634
esco Verwaltungs GmbH	Hanover	Germany	100.00%	EUR		60	3
Fachschule f. Wirtschaft und Technik Gem. GmbH	Clausthal	Germany	9.40%	EUR		544	13
Frisia Zout B.V.	Harlingen	Netherlands	100.00%	EUR		16,380	5,748
Glendale Salt Development, LLC	Chicago	USA	100.00%	USD	1.05	3,134	141
Ickenroth GmbH	Staudt	Germany	100.00%	EUR		1,790	688
Imperial Thermal Products Inc.	Chicago	USA	100.00%	USD	1.05	0	0
Inagua General Store Ltd.	Nassau	Bahamas	100.00%	USD	1.05	-144	709
Inagua Transports Inc.	Chicago	USA	100.00%	USD	1.05	-1,666	0
Inversiones Columbus Ltda.	Santiago de Chile	Chile	2.00%	USD	1.05	8,661	7,658
Inversiones Empremer Ltda.	Santiago de Chile	Chile	48.87%	USD	1.05	18,913	15,304
Inversiones K+S Sal de Chile Ltda.	Santiago de Chile	Chile	100.00%	CLP	706.67	71,734,764	41,001,399
ISX Oil & Gas Inc.	Calgary	Canada	100.00%	CAD	1.42	-511	-4
K plus S Africa (Pty) Ltd.	Johannesburg	South Africa	100.00%	ZAR	14.38	68	-62
K plus S Salt Australia Pty Ltd	Perth	Australia	100.00%	AUD	1.46	1,997	-1,221
K+S An-Instituts Verwaltungsgesellschaft mbH	Kassel	Germany	100.00%	EUR		238	7
K+S Asia Pacific Pte. Ltd.	Singapore	Singapore	100.00%	SGD	1.52	23,995	2,033
K+S Bahamas Salt Asset Management GmbH & Co. KG	Kassel	Germany	100.00%	EUR		51,272	1,404
K+S Baustoffrecycling GmbH	Sehnde	Germany	100.00%	EUR		87	3,606
K+S Beteiligungs GmbH	Kassel	Germany	100.00%	EUR		210,751	82
K+S Brasileira Fertilizantes e Produtos Industriais Ltda.	São Paulo	Brazil	100.00%	BRL	3.43	12,117	4,823
K+S Canada Holdings Ltd.	Vancouver	Canada	100.00%	CAD	1.42	5,229,179	268
K+S Chile S.A.	Santiago de Chile	Chile	99.64%	USD	1.05	462,812	62,944
K+S Consulting GmbH	Kassel	Germany	100.00%	EUR		810	74
K+S Czech Republic a.s.	Prague	Czech Republic	100.00%	CZK	27.02	179,717	15,999
K+S Denmark Holding ApS	Hellerup	Denmark	100.00%	EUR		425	-24
K+S Entsorgung (Schweiz) AG	Delémont	Switzerland	100.00%	CHF	1.0739	1,177	453
K+S Entsorgung GmbH	Kassel	Germany	100.00%	EUR		7,506	10,934
K+S Fertilizers (India) Private Limited	New Delhi	India	100.00%	INR	71.48	9,479	2,392
K+S Finance Belgium BVBA	Diegem	Belgium	100.00%	USD	1.05	2,655,547	65,305
K+S Finance Ltd.	St. Julians	Malta	100.00%	EUR		695,293	5,562
K+S (Huludao) Magnesium Products Co. Ltd.	Huludao	China	100.00%	CNY	7.32	13,875	-76
K+S Investments Ltd.	St. Julians	Malta	100.00%	EUR		635,549	8,022
K+S Italia S.r.L.	Verona	Italy	100.00%	EUR		1,129	331
K+S KALI du Roure S.A.S.	Le Teil	France	100.00%	EUR		4,245	262
K+S Kali GmbH	Kassel	Germany	100.00%	EUR		447,083	-4,272
K+S KALI Reims S.A.S.	Reims	France	100.00%	EUR		1,583	0
K+S KALI Rodez S.A.S.	Sainte Radegonde	France	97.45%	EUR		2,242	55
K+S KALI Wittenheim S.A.S.	Wittenheim	France	100.00%	EUR		2,120	238
K+S Legacy GP Inc.	Vancouver	Canada	100.00%	CAD	1.42	44	1
K+S Mining Argentina S.A.	Buenos Aires	Argentina	100.00%	ARS	16.74	33	-510
K+S Montana Holdings, LLC	Chicago	USA	100.00%	USD	1.05	857,028	-15,803

K+S Netherlands Holding B.V.	Harlingen	Netherlands	100.00%	EUR		4,151,383	-3,195	<sup>6</sup>
K+S North America Asset Management GmbH	Kassel	Germany	100.00%	EUR		119	-1	
K+S North America Corporation	Chicago	USA	100.00%	USD	1.05	9,094	-1,275	<sup>6</sup>
K+S North America Salt Asset Management GmbH & Co. KG	Kassel	Germany	100.00%	EUR		684,689	32,563	
K+S Perú S.A.C.	Lima	Peru	100.00%	PEN	3.54	14,386	-3,009	<sup>6</sup>
K+S Polska Sp. z o.o.	Poznan	Poland	100.00%	PLN	4.41	6,330	1,936	<sup>4</sup>
K+S Potash Canada General Partnership	Vancouver	Canada	100.00%	CAD	1.42	5,002,004	-83,129	<sup>6</sup>
K+S Salz GmbH	Hanover	Germany	100.00%	EUR		4,261,035	97,339	<sup>1</sup>
K+S Salt LLC	Chicago	USA	100.00%	USD	1.05	1,645,888	64,306	<sup>6</sup>
K+S Transport GmbH	Hamburg	Germany	100.00%	EUR		2,949	7,155	<sup>1</sup>
K+S UK & Eire Ltd.	Hertford	United Kingdom	100.00%	GBP	0.86	558	358	<sup>4</sup>
K+S Versicherungsvermittlungs GmbH	Kassel	Germany	100.00%	EUR		25	697	<sup>1</sup>
K+S Windsor Salt Ltd.	Vancouver	Canada	100.00%	CAD	1.42	5,619,356	80,895	<sup>6</sup>
Kali (U.K.) Ltd.	Hertford	United Kingdom	100.00%	GBP	0.86	0	0	<sup>5</sup>
Kali AG	Frauenkappelen	Switzerland	100.00%	CHF	1.07	1,765	848	<sup>4</sup>
Kali-Union Verwaltungsgesellschaft mbH	Kassel	Germany	100.00%	EUR		23,969	2,693	<sup>1</sup>
Lehrter Wohnungsbau GmbH	Lehrte	Germany	6.70%	EUR		14,213	116	<sup>4</sup>
Montana US Parent Inc.	Chicago	USA	100.00%	USD	1.05	0	0	<sup>6</sup>
Morton Bahamas Ltd.	Nassau	Bahamas	100.00%	USD	1.05	4,948	-7,128	<sup>6</sup>
Morton China National Salt (Shanghai) Salt Co., Ltd.	Shanghai	China	45.00%	CNY	7.32	22,846	6,610	<sup>4</sup>
Morton Salt, Inc.	Chicago	USA	100.00%	USD	1.05	1,586,877	45,396	<sup>6</sup>
MSW Chemie GmbH	Langelsheim	Germany	100.00%	EUR		1,043	187	
Nieders. Gesellschaft zur Endablagerung von Sonderabfall mbH	Hanover	Germany	0.10%	EUR		10,022	1,361	<sup>4</sup>
OOO K+S Rus	Moscow	Russian Federation	100.00%	RUB	64.06	6,143	427	<sup>4</sup>
Poldergemeinschaft Hohe Schaar	Hamburg	Germany	8.66%	EUR		0	0	<sup>4</sup>
Pristav Pardubice a.s.	Pardubice	Czech Republic	0.41%	CZK	27.02	15,837	-756	<sup>3</sup>
Salina Diamante Branco Ltda.	Rio de Janeiro	Brazil	99.69%	BRL	3.43	24,027	-2,620	<sup>6</sup>
Saline Cerebos S.A.S.	Levallois-Perret	France	100.00%	EUR		6,210	630	<sup>6</sup>
Servicios Maritimos Patillos S.A.	Santiago de Chile	Chile	99.64%	USD	1.05	1,435	1,433	<sup>6</sup>
Servicios Portuarios Patillos S.A.	Santiago de Chile	Chile	99.54%	USD	1.05	42,949	351	<sup>6</sup>
Shenzhen K+S Trading Co. Ltd.	Shenzhen	China	100.00%	CNY	7.32	52,735	519	
VATEL Companhia de Produtos Alimentares S.A.	Alverca	Portugal	100.00%	EUR		885	-215	<sup>6</sup>
Weeks Island Landowner, LLC	Chicago	USA	100.00%	USD	1.05	811	0	<sup>6</sup>
Werra Kombi Terminal Betriebsgesellschaft mbH	Philippssthal	Germany	50.00%	EUR		195	110	<sup>4</sup>
Wohnbau Salzdetfurth GmbH	Bad Salzdetfurth	Germany	100.00%	EUR		1,820	0	<sup>1</sup>
Zoll Pool Hamburg AG	Hamburg	Germany	1.43%	EUR		552	28	<sup>4</sup>

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

<sup>2</sup> Financial year from 1 August to 31 July – annual financial statements as at 31 July 2015.

<sup>3</sup> Annual financial statements as at 31 December 2014.

<sup>4</sup> Annual financial statements as at 31 December 2015.

<sup>5</sup> Inactive companies.

<sup>6</sup> Data according to IFRS.

**(26) MEMBERS OF THE SUPERVISORY BOARD IN THE 2016 FINANCIAL YEAR  
(INFORMATION ON OTHER SUPERVISORY BOARD APPOINTMENTS AND SUPERVISORY  
BODIES AS AT: 31 DECEMBER 2016)**

**DR RALF BETHKE (BORN 1942), GRADUATE IN BUSINESS ADMINISTRATION,  
CHAIRMAN OF THE SUPERVISORY BOARD**

SHAREHOLDER REPRESENTATIVE

Entrepreneur (as member of the supervisory boards mentioned below)

Chairman of the Supervisory Board since 14 May 2008

In office until the end of the 2017 Annual General Meeting

First appointed: 1 July 2007

Other supervisory board appointments:           Benteler International AG, Salzburg (Chairman)<sup>1</sup>  
DJE Kapital AG, Pullach (Chairman)<sup>1</sup>

**MICHAEL VASSILIADIS (BORN 1964), CHEMICAL LABORATORY ASSISTANT, VICE-  
CHAIRMAN**

EMPLOYEE REPRESENTATIVE

Chairman of the Mining, Chemicals and Energy Trade Union, Hanover

In office until the end of the 2018 Annual General Meeting

First appointed: 7 May 2003

Other supervisory board appointments:           BASF SE, Ludwigshafen  
Evonik Industries AG, Essen (Vice- Chairman)  
(until 18 May 2016)  
STEAG GmbH, Essen (Vice- Chairman)<sup>1</sup>  
RAG Aktiengesellschaft, Herne (Vice-Chairman)<sup>1</sup>  
RAG DSK AG, Herne (Vice-Chairman)<sup>1</sup>  
RAG Stiftung, Essen<sup>1</sup>

**RALF BECKER (BORN 1965), TRADE UNION SECRETARY**

EMPLOYEE REPRESENTATIVE

Regional Manager North of the Mining, Chemicals and Energy Trade Union, Hanover

In office until the end of the 2018 Annual General Meeting

First appointed: 1 August 2009

Other supervisory board appointments:           Continental Reifen Deutschland GmbH,  
Hanover (Vice-Chairman)<sup>1</sup>  
Deutsche Shell Holding GmbH, Hamburg<sup>1</sup>  
Deutsche Shell GmbH, Hamburg<sup>1</sup>  
Shell Deutschland Oil GmbH, Hamburg<sup>1</sup>

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

SHAREHOLDER REPRESENTATIVE

Deputy General Manager of the Deutsche Schutzvereinigung für Wertpapierbesitz e.V., Düsseldorf

In office until the end of the 2018 Annual General Meeting

First appointed: 7 May 2003

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

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<sup>1</sup> Not listed on a stock exchange.

**PHILIP FREIHERR VON DEM BUSSCHE (BORN 1950), GRADUATE IN BUSINESS ADMINISTRATION**

SHAREHOLDER REPRESENTATIVE

Entrepreneur/Farmer

In office until the end of the 2020 Annual General Meeting

First appointed: 12 May 2015

Other supervisory bodies: Bernard Krone Holding SE & Co. KG, Spelle (Chairman of the Supervisory Board)<sup>1</sup>  
DF World of Spices GmbH, Dissen (Member of the Advisory Board)<sup>1</sup>  
Grimme GmbH & Co. KG, Damme (Chairman of the Advisory Board)<sup>1</sup>  
DLG e.V. Frankfurt am Main (Chairman of the Supervisory Board)<sup>1</sup>

**GEORGE CARDONA (BORN 1951), ECONOMIST**

SHAREHOLDER REPRESENTATIVE

Economist

In office until the end of the 2020 Annual General Meeting

First appointed: 9 October 2009

Other supervisory bodies: Board of Wishbone Gold plc., Gibraltar

**WESLEY CLARK (BORN 1952), MASTER'S DEGREE IN BUSINESS ADMINISTRATION**

SHAREHOLDER REPRESENTATIVE

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

In office until the end of the 2018 Annual General Meeting

First appointed: 14 May 2013

Other supervisory board appointments: Board of Patriot Supply Holdings, Inc., Fort Worth, Texas, USA (Non-Executive Chairman)<sup>1</sup>  
Board of ABC Supply Corporation, Beloit, Wisconsin, USA<sup>1</sup>  
Board of Clarcor Inc., Franklin, Tennessee, USA  
Board of Distribution International, Inc., Fort Worth, Texas, USA (Non-Executive Chairman)<sup>1</sup>  
Board of Uline Inc., Pleasant Prairie, Wisconsin, USA (until 15 December 2016)<sup>1</sup>

**HARALD DÖLL (BORN 1964), ENERGY FACILITY ELECTRONICS ENGINEER**

EMPLOYEE REPRESENTATIVE

Chairman of the Collective Works Council of the K+S GROUP

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

In office until the end of the 2018 Annual General Meeting

First appointed: 1 August 2009

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<sup>1</sup> Not listed on a stock exchange.

**AXEL HARTMANN (BORN 1958), RETAIL SALESMAN**

EMPLOYEE REPRESENTATIVE

Vice Chairman of the Collective Works Council of the K+S Group  
 Chairman of the Works Council of K+S KALI GmbH's Neuhof-Ellers plant

In office until the end of the 2018 Annual General Meeting

First appointed: 14 May 2013

**RÜDIGER KIENITZ (BORN 1960), MINING ENGINEER**

EMPLOYEE REPRESENTATIVE

Member of the Works Council of K+S KALI GMBH'S Werra plant (until 31 March 2016)

Resigned on 31 March 2016

First appointed: 26 March 1998

**MICHAEL KNACKMÜB (BORN 1975), CAR MECHANIC**

EMPLOYEE REPRESENTATIVE

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

In office until the end of the 2018 Annual General Meeting

First appointed: 11 July 2014

**DR RER. NAT. ANDREAS KREIMEYER (BORN 1955), GRADUATE IN BIOLOGY**

SHAREHOLDER REPRESENTATIVE

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

In office until the end of the 2020 Annual General Meeting

First appointed: 12 May 2015

Other supervisory bodies:           acatech - Deutsche Akademie der Technikwissenschaften e.V.,  
 Munich, Member of Executive Committee<sup>1</sup>  
 C.H. Boehringer Sohn AG & Co. KG, Ingelheim, Germany  
 (Member of Advisory Group)<sup>1</sup>  
 Karlsruher Institut für Technologie (KIT), Karlsruhe (Vice-  
 Chairman of the Supervisory Board)<sup>1</sup>

**GERD KÜBLER (BORN 1967), GRADUATE IN ENGINEERING**

EMPLOYEE REPRESENTATIVE

Head of Mining, K+S Aktiengesellschaft, Kassel

In office until the end of the 2018 Annual General Meeting

First appointed: 1 January 2016

**DIETER KUHN (BORN 1958), MINING MECHANIC**

EMPLOYEE REPRESENTATIVE

First Vice-Chairman of the Collective Works Council of the K+S GROUP  
 Chairman of the Works Council of the Bernburg plant of esco - european salt company GmbH &  
 CO. KG

In office until the end of the 2018 Annual General Meeting

First appointed: 7 May 2003

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<sup>1</sup> Not listed on a stock exchange.

**DR ANNETTE MESSEMER (BORN 1964), POLITICAL SCIENTIST**

SHAREHOLDER REPRESENTATIVE

Divisional director of Commerzbank AG

In office until the end of the 2018 Annual General Meeting

First appointed: 14 May 2013

Other supervisory board appointments: Commerz Real AG, Eschborn (until 28 February 2016)<sup>1</sup>  
Board of Directors of Essilor International S.A.,  
Charenton-le-Pont, France (since 11 May 2016)

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

EMPLOYEE REPRESENTATIVE

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

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

In office until the end of the 2018 Annual General Meeting

First appointed: 1 April 2016

**DR ECKART SÜNNER (BORN 1944), LAWYER**

SHAREHOLDER REPRESENTATIVE

Independent solicitor in Neustadt a.d. Weinstraße

In office until the end of the 2018 Annual General Meeting

First appointed: 28 April 1992

Other supervisory board appointments: Infineon Technologies AG, Neubiberg

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<sup>1</sup> Not listed on a stock exchange.

**SUPERVISORY BOARD COMMITTEES****AUDIT COMMITTEE**

- + Dr Eckart Sünner (Chairman)
- + Ralf Becker
- + Dr Ralf Bethke
- + Axel Hartmann
- + Dr Annette Messemer
- + Michael Vassiliadis

**PERSONNEL COMMITTEE**

- + Dr Ralf Bethke (Chairman)
- + Jella S. Benner-Heinacher
- + Harald Döll
- + Michael Vassiliadis

**NOMINATION COMMITTEE**

- + Dr Ralf Bethke (Chairman)
- + Philip Freiherr von dem Bussche
- + George Cardona
- + Dr rer. nat. Andreas Kreimeyer

**MEDIATION COMMITTEE**

- + Dr Ralf Bethke (Chairman)
- + Harald Döll
- + Dr Eckart Sünner
- + Michael Vassiliadis

**(27) MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS (INFORMATION ON RESPONSIBILITIES AND APPOINTMENTS, UNLESS OTHERWISE STATED, AS AT: 31 DECEMBER 2016)**

**NORBERT STEINER (BORN 1954), LAWYER, CHAIRMAN**

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

1 March to 31 December 2016<sup>1</sup>: Potash and Magnesium Products business unit  
Waste Management and Recycling business unit

In office until 11 May 2017  
First appointed: 12 May 2000

Supervisory Board appointments: Talanx AG, Hanover  
HDI V.a.G., Hanover<sup>2</sup>  
K+S KALI GmbH (Chairman), Kassel<sup>3</sup>

**DR BURKHARD LOHR (BORN 1963), GRADUATE IN BUSINESS ADMINISTRATION**

Corporate Controlling  
Corporate Finance and Accounting  
Corporate Procurement  
Corporate Tax  
Technical Centre and sub-units:  
Geology  
Mining  
Research and Development  
Technics/Energy

All direct shareholdings of the Company insofar as they are not assigned to another area of responsibility

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

Supervisory board appointments: K+S KALI GmbH, Kassel<sup>3</sup>  
Supervisory bodies: HDI-Gerling Industrie Versicherung AG, Hanover, Member of Southern Regional Advisory Board<sup>2</sup>  
Commerzbank AG, Frankfurt/Main, Member of North West Regional Advisory Board

**DR OTTO LOSE (BORN 1971), LAWYER AND ECONOMIST**

Since 1 January 2017<sup>1</sup> Potash and Magnesium Products business unit  
Waste Management and Recycling business unit

In office until 31 December 2019  
First appointed: 1 January 2017

Supervisory Board appointments since 1 January 2017: K+S KALI GmbH, Kassel<sup>3</sup>

<sup>1</sup> The Supervisory Board of K+S Aktiengesellschaft and Dr Andreas Radmacher reached a mutual agreement not to renew Dr Andreas Radmacher's term of office which expired on 31 August 2016. He left the Company with effect from 29 February 2016. Norbert Steiner assumed temporary responsibility for Dr Radmacher's tasks until 31 December 2016. Dr Otto Lose has been responsible for the Potash and Magnesium Products and Waste Management and Recycling business units since 1 January 2017.

<sup>2</sup> Not listed on a stock exchange.

<sup>3</sup> Group appointment.

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

Corporate HR

Corporate IT

Corporate Health, Safety &amp; Environment

Business Centre and sub-units:

Communication Services

Financial Accounting

HR Services

Insurances

IT Services

Legal

Logistics Europe

Procurement/Material Management Europe

Project Management

Real Estate &amp; Facility Management

K+S TRANSPORT GMBH

K+S VERSICHERUNGSVERMITTLUNGS GMBH

WOHNBAU SALZDETFURTH GMBH

In office until 31 August 2018

First appointed: 1 August 2003

Supervisory board appointments: K+S KALI GmbH, Kassel<sup>1</sup>**DR ANDREAS RADMACHER (BORN 1965)<sup>2</sup>, GRADUATE IN ENGINEERING**

Potash and Magnesium Products business unit

Waste Management and Recycling business unit

Resigned on 29 February 2016

First appointed: 1 September 2013

Supervisory Board appointments until 29 February 2016: K+S KALI GmbH, Kassel<sup>1</sup>**MARK ROBERTS (BORN 1963), BACHELOR OF SCIENCE (MARKETING)**

Salt business unit

Animal hygiene products

In office until 30 September 2020

First appointed: 1 October 2012

<sup>1</sup> Group appointment.<sup>2</sup> The Supervisory Board of K+S Aktiengesellschaft and Dr Andreas Radmacher reached a mutual agreement not to renew Dr Andreas Radmacher's term of office which expired on 31 August 2016. He left the Company with effect from 29 February 2016. Norbert Steiner assumed temporary responsibility for Dr Radmacher's tasks until 31 December 2016. Dr Otto Lose has been responsible for the Potash and Magnesium Products and Waste Management and Recycling business units since 1 January 2017.

**(28) SHAREHOLDINGS IN THE COMPANY**

On 27 November 2016, BlackRock Inc., New York (USA), notified us of holdings above the legal threshold of 3%, holding 3.12% of the Company. Until the end of February, no shareholder notified us of holdings above the legal reporting threshold of 3%.

**(29) PROPOSAL ON THE APPROPRIATION OF PROFITS**

Earnings after taxes generated by K+S AKTIENGESELLSCHAFT in the 2016 financial year totalled T€ 76,781. The Board of Executive Directors and Supervisory Board intend to propose the payment of a dividend of € 0.30 per no-par value share (T€ 57,420) from the accumulated profit and the allocation of the residual amount of T€ 19,361 to revenue reserves to the Annual General Meeting on 10 May 2017.

Kassel, 3 March 2017

**K+S Aktiengesellschaft**

**Board of Executive Directors**

## Auditor's Report

We have audited the annual financial statements, consisting of the balance sheet, income statement and notes, with due consideration given for the accounting system and Management Report combined with the Group Management Report of K+S Aktiengesellschaft, Kassel, for the financial year from 1 January to 31 December 2016. Accounting and bookkeeping as well as the preparation of the annual financial statements and the Management Report in accordance with the German commercial law provisions are the responsibility of the Company's Board of Executive Directors. Our task is to evaluate the annual financial statements, with consideration given for the accounting system, and the Group Management Report on the basis of our audit. We conducted our audit of the annual financial statements in accordance with Sec. 317 of the German Commercial Code (HGB) and the standards accepted in Germany for the audit of financial statements set out by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer). These standards require that we plan and perform the audit in such a way that inaccurate statements and violations that may have a significant effect on both the presentation of the annual financial statements as viewed under the principles of standard accounting practices, and on the presentation of the asset, financial and earnings position as presented in the Management Report, can be recognised with sufficient certainty. When determining audit procedures, we took into account our knowledge of the Company's business activities, as well as their economic and legal environment. We also considered possible mistakes. During the audit, we primarily make use of random checks to test the effectiveness of internal accounting control as related to the accounting system, and also to find evidence supporting information disclosed in the accounting system, annual financial statements and the Management Report. The audit assesses the accounting principles applied as well as significant estimates made by the Board of Executive Directors, and also evaluates the overall presentation of the annual financial statements and the Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not discovered any cause for concern.

In our opinion, which is based on our audit findings, the annual financial statements of K+S Aktiengesellschaft, Kassel, comply with the legal provisions and give a true and fair view of the asset, financial and earnings position of the Company in accordance with the principles of standard accounting practices. The Management Report is consistent with the annual financial statements, complies with the legal requirements, provides a suitable understanding of the position of the Company and suitably presents the opportunities and risks with respect to future development.

Hanover, 3 March 2017

**Deloitte GmbH**  
Auditing company

(Kompenhans)  
Auditor

(Dr Meyer)  
Auditor