

# GROUP PAYMENT REPORT

# 2017

## 1. GENERAL PRINCIPLES

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

As the parent company of the K+S GROUP the K+S AKTIENGESELLSCHAFT holds the investments in its domestic and foreign subsidiaries directly or indirectly.

K+S AKTIENGESELLSCHAFT is subject to the regulation of the German Commercial Code (HGB).

## 2. BACKGROUND

In order to create transparency regarding the payments made by companies to resource-rich countries, the European Union (EU) issued Directive 2013/34/EU of the European Parliament and of the Council of June 26, 2013 (OJ L 182 of June 29, 2013, p. 19, the so-called EU Accounting Directive), which established regulations obliging companies operating in the extractive industry to disclose certain payments made to government entities in connection with their activities. Companies in the extractive industry are companies that operate in the field of exploration, prospection, discovery, development and extraction of minerals, oil and natural gas deposits or other specific substances.

The EU Accounting Directive was transposed into national law in the Federal Republic of Germany when the German Accounting Directive Implementation Act (*Bilanzrichtlinie-Umsetzungsgesetz – BilRUG*) took effect on July 23, 2015. These provisions form part of the German Commercial Code as Sections 341q et seqq. and must be applied to corporations and commercial partnerships with limited liability for financial years beginning after July 23, 2015.

The above-mentioned change in the law imposes an obligation on K+S AKTIENGESELLSCHAFT as the parent company to prepare a Group Payment Report in which it reports certain payments to government entities by reportable companies belonging to the K+S GROUP. The inclusion of a company in the Group Payment Report exempts that company from having to report payments at the individual company level.

## 3. ACTIVITIES IN THE EXTRACTIVE INDUSTRY

The activities of the K+S GROUP comprise the „Potash and Magnesium Products“, „Salt“ as well as the „Complementary Activities“ business units and include activities in the extractive industry. The K+S GROUP extracts raw materials in conventional mining above and below ground as well as through solution mining. Salt is also extracted by evaporating saline water, mostly sea water. The potash and rock salt mineral deposits of the K+S GROUP are either owned or located in places where we possess the appropriate licenses and/or similar rights that permit the mining or solution mining of raw material reserves and secure it over the long term. Subsidiaries of K+S AKTIENGESELLSCHAFT that are assigned to these business units and have activities in the extractive industry are included in the Group Payment Report. The Complementary Activities do not comprise activities in the extractive industry. Subsidiaries of K+S AKTIENGESELLSCHAFT that are assigned to this business unit are not included in the Group Payment Report.

## 4. REPORTING PRINCIPLES

### GENERAL

The Group Payment Report of the K+S AKTIENGESELLSCHAFT is prepared in Euro (€). The reporting year is the same as the fiscal year. Rounding differences can occur in the given numbers.

The following companies are included in the Group Payment Report of the K+S Aktiengesellschaft:

- + K+S AKTIENGESELLSCHAFT
- + K+S KALI GMBH
- + ESCO - EUROPEAN SALT COMPANY GMBH & CO. KG
- + FRISIA ZOUT B.V.
- + K+S WINDSOR SALT LIMITED
- + K+S POTASH CANADA GP
- + MORTON SALT, INC.
- + MORTON BAHAMAS LTD.
- + SALINA DIAMANTE BRANCO LTDA.
- + COMPANIA MINERA PUNTA DE LOBOS LTDA.

The Group Payment Report of the K+S AKTIENGESELLSCHAFT will be published in the Federal Gazette in accordance with the regulations of the German Commercial Code (HGB) and will also be available to the public on June 29<sup>th</sup> 2018 on the homepage of the K+S GROUP at [www.k-plus-s.com](http://www.k-plus-s.com) in German and English.

### TERM DEFINITIONS

Pursuant to Section 341r No. 1 of the German Commercial Code, *activities in the extractive industry* comprise activities in the field of exploration, prospection, discovery, development and extraction of minerals, oil and natural gas deposits or other substances in the sectors listed in Annex I Paragraph B Sections 05 to 08 of Directive (EC) No. 1893/2006 of the European Parliament and of the Council of December 20, 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending the Council Regulation (EEC) No. 3037/90 and certain EC regulations on specific statistical domains (OJ L 393 of December 30, 2006, p. 1).

*Payments* are all amounts paid as a benefit in kind or cash benefit in connection with activities in the extractive industry when they are conducted pursuant to Section 341r No. 3 of the German Commercial Code for one of the reasons listed below:

- a. Production entitlements,
- b. Taxes levied on the income, output or profits of corporations and excluding excise taxes, sales taxes, value added taxes as well as taxes due on the wages/salaries of persons employed by corporations and similar taxes,
- c. Usage fees,
- d. Dividends and other profit distributions arising from shareholdings,
- e. Signature, discovery and production bonuses,
- f. License, lease and access fees as well as other considerations for licenses or concessions and
- g. Payments for infrastructure improvements.

Pursuant to Section 341r No. 4 of the German Commercial Code, *government entities* are national, regional or local authorities of a Member State of the European Union, another signatory state of the Treaty on the European Economic Area or a third country including the departments or agencies controlled by an authority and companies that can exert a dominant influence on one of these authorities within the definition of Section 290 of the German Commercial Code.

Pursuant to Section 341r No. 5 of the German Commercial Code, *projects* are the totality of operational activities that form the basis for payment obligations toward a government entity and are based on

- a. a contract, a license, a lease, a concession or a similar legal agreement  
or
- b. a totality of operationally and geographically related contracts, licenses, leases or concessions or related agreements with a government entity, which essentially establish similar conditions.

## PREPARATION PRINCIPLES

The Group Payment Report includes payments that result from activities within the framework of the extraction and development of raw materials or related upstream activities, for example from exploration, prospection or discovery, and which can be assigned to the types of payments mentioned on page 3. Payments to government entities which are not directly related to activities in the extractive industry are outside the scope of application and thus are not to be included in the Group Payment Report.

The reported payments reflect the actual payment outflows of the companies included in the Group Payment Report in the year under review.

Repayments by a government entity reduce the amount of payments to be reported provided that the payment and corresponding repayment occur within the same period under review and arise from the same matter. Repayments resulting from payments in previous years are not taken into consideration.

If a payment is made in connection with activities related to the extractive industry as well as with other activities, the main purpose of the payment is the determining factor. A payment is included in the Group Payment Report if the main purpose of the payment results from activities related to the extractive industry. There is no artificial division of the payment into a part that is subject to the disclosure obligation and one that is not.

Payments that cannot be assigned exclusively to one project are disclosed as “non-project-related payments”. At the K+S GROUP projects are equated with plants and sites.

The K+S GROUP did not make any payments in kind to government entities for activities in the extractive industry in the period under review.

“Royalties” are payments for a non-exclusive right to do or refrain from doing things. “License fees, rental fees, entry fees” are payments for an exclusive right to do or refrain from doing things. “Payments for infrastructure improvements” are defined as payments that effect an improvement in infrastructure beyond the original state but not as compensation payments for restoring the original state. In the year under review, no payments were made that would be assigned to the payment types “production entitlements”, “dividends and other profit distributions arising from shareholdings”, “signature, discovery and production bonuses” and “payments for infrastructure improvements”. For the sake of easier understanding by the reader, these types of payment are not listed either in the Group Overview or in the Country Overview.

Payments made in foreign currencies (not €) were converted with the exchange rate on the date of payment (=Transaction rate)

For reasons of materiality, government entities to which a total of less than € 100,000 have been paid in the period under review can be excluded from the Group Payment Report. This materiality threshold is applied.

Payments that are voluntarily included in the Group Payment Report are explicitly marked. These payments are stated aggregated at country level. There is no differentiation by government entity, divided by projects.

## 5. PAYMENTS

### GROUP OVERVIEW

The following overview shows the payments made to government entities in the reporting year by the K+S GROUP broken down by country and payment type. The respective beneficiary government entity can be found in the country overview.

| <b>K+S GROUP</b>               |                          |                              |  |                   |
|--------------------------------|--------------------------|------------------------------|--|-------------------|
|                                | <b>Taxes<sup>1</sup></b> | <b>Royalties<sup>2</sup></b> | <b>License fees, rental fees, entry fees<sup>3</sup></b> | <b>Total</b>      |
| <i>in Euro</i>                 |                          |                              |  |                   |
| Germany                        | 1,677,957*               | 121,860                      | 1,060,180  | 2,859,997         |
| Canada                         | 5,731,166                | 2,463,390                    | 2,003,671  | 10,198,226        |
| United States of America (USA) | 3,564,745                | 116,907                      | 625,407  | 4,307,059         |
| Chile                          | 626,953                  | —                            | —  | 626,953           |
| Bahamas                        | —                        | —                            | 247,645  | 247,645           |
| <b>Total</b>                   | <b>11,600,821</b>        | <b>2,702,157</b>             | <b>3,936,902</b>   | <b>18,239,880</b> |

<sup>1</sup> Pursuant to Section 341r No. 3 b) of the German Commercial Code.

<sup>2</sup> Pursuant to Section 341r No. 3 c) of the German Commercial Code.

<sup>3</sup> Pursuant to Section 341r No. 3 f) of the German Commercial Code.

\* K+S AKTIENGESELLSCHAFT and the vast majority of its domestic subsidiaries form a single unit for trade tax and corporate tax purposes. As the taxpayer, K+S AKTIENGESELLSCHAFT makes regular payments for these controlled companies ("tax group"). A part of these payments can be attributed to activities in the extractive industry and are thus subject to disclosure. An analysis of the main purpose of the payments made has demonstrated that the overwhelming majority of the payments made by the taxpayer do not result from activities in the extractive industry, but from the production and distribution of fertilizers and products for industrial applications, as well as the disposal activities for the subterranean disposal and recovery of waste and other services. Consequently they are outside the scope of application and are not included in the table above. However, the payments made by K+S AKTIENGESELLSCHAFT are disclosed voluntarily hereinafter at the accumulated level:

In the year under review K+S AKTIENGESELLSCHAFT paid income taxes in the amount of € 23,150,811 of which € 5,273,029 was for corporate tax and € 17,877,782 for trade tax.

## COUNTRY OVERVIEW

The country overview shows the payments made to government entities in the reporting year broken down by project and payment type.

| GERMANY  |                    |                        |  |                  |
|--|--------------------|------------------------|--|------------------|
|  | Taxes <sup>1</sup> | Royalties <sup>2</sup> | License fees,<br>rental fees, entry<br>fees <sup>3</sup> | Total            |
| in Euro  |                    |                        |  |                  |
| <b>HCC-Hessisches Competence Center, Wiesbaden, Hesse</b>            |                    |                        |  | <b>818,422</b>   |
| Neuhof-Ellers  | –                  | –                      | 377,756  | 377,756          |
| Werra  | –                  | –                      | 440,666  | 440,666          |
| <b>Landeshauptstadt Hannover, Hanover, Lower Saxony</b>              |                    |                        |  | <b>161,507</b>   |
| non-project-related payments   | 161,507            | –                      | –  | 161,507          |
| <b>Landeshauptkasse Sachsen-Anhalt, Dessau-Roßlau, Saxony-Anhalt</b> |                    |                        |  | <b>183,618</b>   |
| Bernburg   | –                  | 121,860                | –  | 121,860          |
| Braunschweig-Lüneburg  | –                  | –                      | 61,758   | 61,758           |
| <b>Niedersächsische Landesforsten, Dassel, Lower Saxony</b>          |                    |                        |  | <b>180,000</b>   |
| non-project-related payments   | –                  | –                      | 180,000  | 180,000          |
| <b>Samtgemeinde Grasleben, Grasleben, Lower Saxony</b>               |                    |                        |  | <b>251,016</b>   |
| Braunschweig-Lüneburg  | 251,016            | –                      | –  | 251,016          |
| <b>Stadt Bernburg, Bernburg, Saxony-Anhalt</b>                       |                    |                        |  | <b>658,230</b>   |
| Bernburg   | 658,230            | –                      | –  | 658,230          |
| <b>Stadt Rheinberg, Rheinberg, North Rhine-Westphalia</b>            |                    |                        |  | <b>607,204</b>   |
| Borth  | 607,204            | –                      | –  | 607,204          |
| <b>Total</b>   | <b>1,677,957*</b>  | <b>121,860</b>         | <b>1,060,180</b>   | <b>2,859,997</b> |

<sup>1</sup> Pursuant to Section 341r No. 3 b) of the German Commercial Code.

<sup>2</sup> Pursuant to Section 341r No. 3 c) of the German Commercial Code.

<sup>3</sup> Pursuant to Section 341r No. 3 f) of the German Commercial Code.

\* K+S AKTIENGESELLSCHAFT and the vast majority of its domestic subsidiaries form a single unit for trade tax and corporate tax purposes. As the taxpayer, K+S AKTIENGESELLSCHAFT makes regular payments for these controlled companies ("tax group"). A part of these payments can be attributed to activities in the extractive industry and are thus subject to disclosure. An analysis of the main purpose of the payments made has demonstrated that the overwhelming majority of the payments made by the taxpayer do not result from activities in the extractive industry, but from the production and distribution of fertilizers and products for industrial applications, as well as the disposal activities for the subterranean disposal and recovery of waste and other services. Consequently they are outside the scope of application and are not included in the table above. However, the payments made by K+S AKTIENGESELLSCHAFT are disclosed voluntarily hereinafter at the accumulated level:

In the year under review K+S AKTIENGESELLSCHAFT paid income taxes in the amount of € 23,150,811 of which € 5,273,029 was for corporate tax and € 17,877,782 for trade tax.

| CANADA   |                    |                        |  |                   |
|--|--------------------|------------------------|--|-------------------|
|  | Taxes <sup>1</sup> | Royalties <sup>2</sup> | License fees,<br>rental fees, entry<br>fees <sup>3</sup> | Total             |
| in Euro  |                    |                        |  |                   |
| <b>Department of Natural Resources, Halifax, Nova Scotia</b> |                    |                        |  | <b>140,449</b>    |
| Pugwash  | –                  | –                      | 140,449  | 140,449           |
| <b>Ministry of Finance, Oshawa, Ontario</b>                  |                    |                        |  | <b>4,190,206</b>  |
| non-project-related payments                                 | 3,625,753          | –                      | –  | 3,625,753         |
| Ojibway  | –                  | –                      | 564,453  | 564,453           |
| <b>Ministry of Finance, Regina, Saskatchewan</b>             |                    |                        |  | <b>672,109</b>    |
| Bethune  | –                  | –                      | 672,109  | 672,109           |
| <b>Ministry of the Economy, Regina, Saskatchewan</b>         |                    |                        |  | <b>626,660</b>    |
| Bethune  | –                  | –                      | 455,201  | 455,201           |
| Regina   | –                  | –                      | 171,459  | 171,459           |
| <b>Revenu Québec, Québec, Québec</b>                         |                    |                        |  | <b>2,105,413</b>  |
| non-project-related payments                                 | 2,105,413          | –                      | –  | 2,105,413         |
| <b>Sask Water, Moose Jaw, Saskatchewan</b>                   |                    |                        |  | <b>2,241,957</b>  |
| Bethune  | –                  | 2,241,957              | –  | 2,241,957         |
| <b>Water Security Agency, Moose Jaw, Saskatchewan</b>        |                    |                        |  | <b>221,433</b>    |
| Bethune  | –                  | 221,433                | –  | 221,433           |
| <b>Total</b>   | <b>5,731,166</b>   | <b>2,463,390</b>       | <b>2,003,671</b>   | <b>10,198,226</b> |

<sup>1</sup> Pursuant to Section 341r No. 3 b) of the German Commercial Code.

<sup>2</sup> Pursuant to Section 341r No. 3 c) of the German Commercial Code.

<sup>3</sup> Pursuant to Section 341r No. 3 f) of the German Commercial Code.

**UNITED STATES OF AMERICA (USA)**

|  | <b>Taxes<sup>1</sup></b> | <b>Royalties<sup>2</sup></b> | <b>License fees, rental fees, entry fees<sup>3</sup></b> | <b>Total</b>     |
|--|--------------------------|------------------------------|--|------------------|
| in Euro  |                          |                              |  |                  |
| <b>Internal Revenue Service, Odgen, Utah</b>                               |                          |                              |  | <b>3,564,745</b> |
| non-project-related payments   | 3,564,745                | –                            | –  | 3,564,745        |
| <b>Ohio Department of Natural Resources, Sandusky, Ohio</b>                |                          |                              |  | <b>272,080</b>   |
| Fairport   | –                        | –                            | 272,080  | 272,080          |
| <b>State of Utah Department of Natural Resources, Salt Lake City, Utah</b> |                          |                              |  | <b>353,327</b>   |
| Grantsville  | –                        | –                            | 353,327  | 353,327          |
| <b>Treasurer State of Ohio, Columbus, Ohio</b>                             |                          |                              |  | <b>116,907</b>   |
| Rittman  | –                        | 116,907                      | –  | 116,907          |
| <b>Total</b>   | <b>3,564,745</b>         | <b>116,907</b>               | <b>625,407</b>   | <b>4,307,059</b> |

**CHILE**

|   | <b>Taxes<sup>1</sup></b> | <b>Total</b>   |
|---|--------------------------|----------------|
| in Euro   |                          |                |
| <b>Tesorería General de la República, Santiago de Chile, Región Metropolitana</b> |                          | <b>626,953</b> |
| non-project-related payments  | 626,953                  | 626,953        |
| <b>Total</b>  | <b>626,953</b>           | <b>626,953</b> |

**BAHAMAS**

|  | <b>License fees, rental fees, entry fees<sup>3</sup></b> | <b>Total</b>   |
|--|--|----------------|
| in Euro  |  |                |
| <b>Ministry of Finance, Nassau, New Providence</b> |  | <b>247,645</b> |
| Inagua   | 247,645  | 247,645        |
| <b>Total</b>                                       | <b>247,645</b>   | <b>247,645</b> |

<sup>1</sup> Pursuant to Section 341r No. 3 b) of the German Commercial Code.

<sup>2</sup> Pursuant to Section 341r No. 3 c) of the German Commercial Code.

<sup>3</sup> Pursuant to Section 341r No. 3 f) of the German Commercial Code.

Kassel, 29 June 2018

K+S AKTIENGESELLSCHAFT

BOARD OF EXECUTIVE DIRECTORS