



K+S Aktiengesellschaft

Annual General Meeting

on 10 May 2017

in Kassel

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

– The spoken word is binding –



K+S Aktiengesellschaft
Annual General Meeting

Kassel, 10 May 2017

Norbert Steiner, CEO

Dear Shareholders,

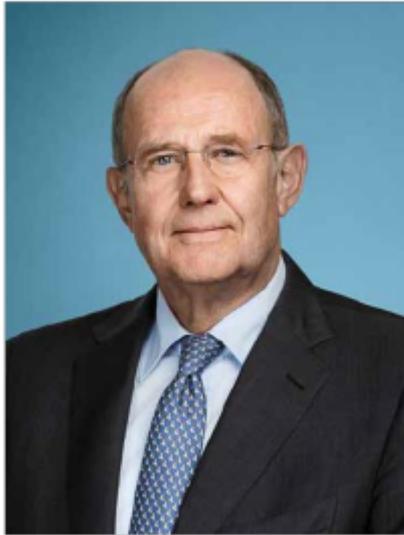
Dear Shareholder Representatives,

Dear Media Representatives,

Dear Guests, including those of you participating via the Internet,

Ladies and Gentlemen,

On behalf of the Board of Executive Directors of K+S Aktiengesellschaft, I would like to welcome you to today's Annual General Meeting. We are delighted that so many of you have accepted our invitation once again. I thank you all for your interest in our – and your – Company and send you my heartfelt "Glückauf".



Annual General Meeting 2017

- 1990 – 1991 Member of the Board of Executive Directors of Kali und Salz AG (K+S Aktiengesellschaft today)
- 1991 – 2007 **Chairman of the Board of Executive Directors of K+S Aktiengesellschaft**
- 1993 – 2001 additionally, chairman of the managing directors of Kali und Salz GmbH (today, K+S KALI GmbH)
- 2007 – 2008 Member of the Supervisory Board of K+S Aktiengesellschaft
- 2008 – 2017 **Chairman of the Supervisory Board of K+S Aktiengesellschaft**

Ladies and Gentlemen,

As you have gathered from our announcements, today's Annual General Meeting is not only my last one as chairman of the Board of Executive Directors, but is also the last one for Dr. Bethke as chairman of the Supervisory Board.

I therefore hope you will allow me not only to warmly thank Dr. Bethke for his very kind words regarding my departure, but also to talk a little about his time and work at K+S.

You can see Dr. Bethke's main achievements and responsibilities displayed behind me; his work for K+S extended over 27 years. I won't go through all the highlights in the development of the K+S Group, which we have mostly been jointly responsible for. However, there is one early milestone which is intrinsically connected with Dr. Bethke: the so-called potash merger in 1992 and 1993, which I would like to touch on now.

The joining of the entire West and East German Potash business units with the most important Salt activities can be seen as the birth of a new “Kali und Salz”. Without this step, the entire development of the Group to the present day would not have been possible. (You can read more about these details in the latest edition of our employee magazine “scoop”.)

The implementation of this merger was not easy. Some of you here in this room may perhaps remember the reactions of external stakeholders, but the plan was also a challenge internally because it signified a very significant increase in commercial risk for BASF, our parent company at that time. Dr. Bethke’s strong belief in the significance in the need for this merger and his commitment to see it through, resulted in the right decisions being taken.

A few days ago in Canada, the Grand Opening was held for the Legacy Project. I can say with confidence, that without the potash merger, there would have been no Legacy Project. Dr. Bethke’s work at the company has come full circle. It is great that you could see this as the Chairman of the Supervisory Board!

Ladies and Gentlemen,

I would also like to add that during all these years Dr. Bethke has epitomized the ideal honorable businessman! This is why the charges brought by the Meiningen public prosecutors which he is exposed to as a number of other employees of K+S and the Thuringian Mining Authority are without any basis. These charges will hopefully soon be dismissed by the Higher Regional Court of Jena as they were very clearly dismissed by the Regional Court of Meiningen last September.

Dr. Bethke deserves all our thanks for his 27 years of long and successful service at K+S. In this regard, I suggested to the Supervisory Board that it appoint Dr. Bethke as Honorary Chairman at its meeting following this Annual General Meeting. As far as I know, this proposal is very likely to be approved.

Dr. Bethke, we would like to thank you from the bottom of our hearts for everything you have done. We wish you many more years of good health – and that you will continue to be part of your and our K+S!



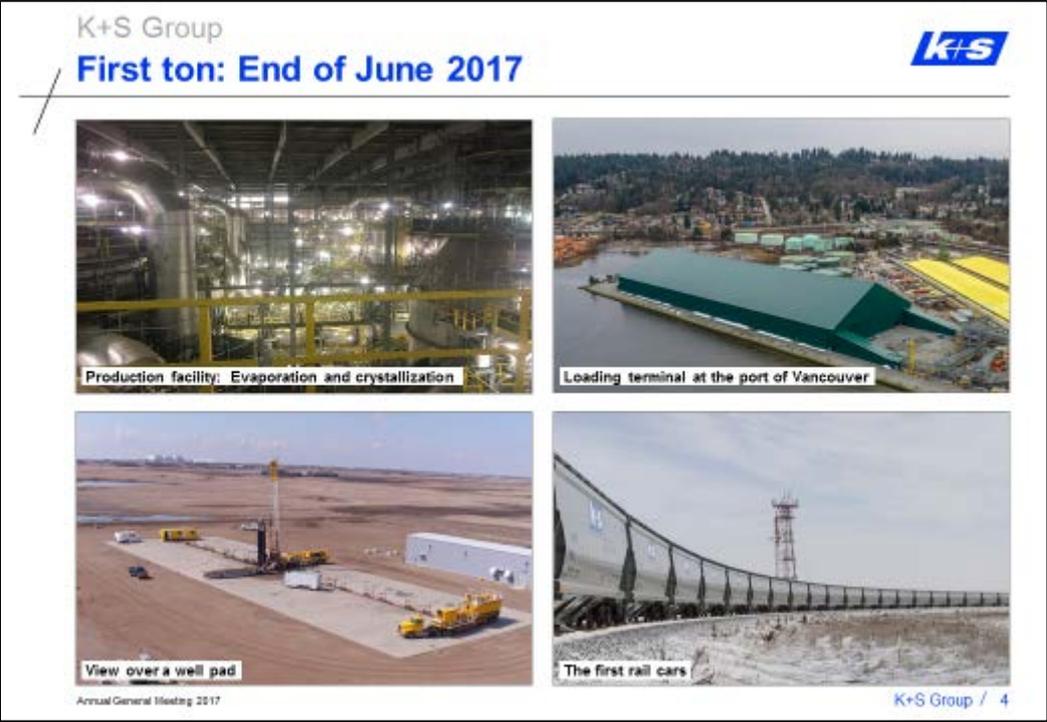
Ladies and Gentlemen,

As mentioned previously, we got it! A few days ago we **opened “Legacy”** and handed it over to the operating team. The construction phase of just under five years has therefore been successfully completed and production can begin. No ifs, ands, or buts: This is a major milestone in the history of the K+S Group, for all of us!

We now have the most modern potash plant in the world. The mine also received its future name upon its completion: “Bethune”. As is customary in Saskatchewan, the mine was named after the nearest local community.

With “Bethune”, we have every reason to be confident about the future because it has enabled us to sustainably strengthen the basis of our raw materials and production. There we have access to high-quality resources for generations to come, and therefor well beyond the lifetime of our German potash deposits.

At the same time, we are using our new site in Canada to drive the international expansion of our potash business, and we can participate even more effectively in the future growth of the market. “Bethune” will also lower our average production costs. As a result, the international competitiveness of the entire K+S Group will improve.



Ladies and Gentlemen,

Anyone who visited the site in the last few weeks or months can confirm that what we have created in the Canadian prairies in just a few years is simply astounding!

Over 30,000 tons of steel were used in the construction of the plant alone. This is more than four times the amount of steel required to build the Eiffel Tower in Paris. At times, over three dozen cranes were in use simultaneously.

In addition, six cavern fields – or “well pads” – were prepared and connected to the plant. Each pad consists of nine brine caverns, each of which is as large as the Allianz Arena football stadium in Munich.

Not least, we moved approximately 4 million cubic meters of soil. A large amount of this soil was used for the laying of the rails for the connection to the rail network. This rail connection will be used to transport the freight trains to our own warehouse and handling facilities at the harbor in Vancouver. At least 500 rail cars have already been delivered to us.

The remains of the crystallizer damaged last July were completely cleared away by December. The new vessel is already undergoing construction in a location near the plant. It will be installed in the summer.

Everything is complete. So there is no change to our expectation that the **first marketable ton** of potash will be produced by the end of June, as we predicted last fall. Then, later on in the year, the first transportation of potash to Vancouver will take place. From there, the potash will be shipped to customers in South America and Asia. We also expect to be able to achieve our target production capacity of 2 million tons by the end of 2017. As such, we are in line with our schedule from April 2013, and the 3.1 billion euro budget should also be sufficient.

With “Bethune”, we are well on our way to offering, from Canada as well, our customers high-grade plant nutrients and, later, potash for a wide variety of applications – products needed throughout the world.

- Injection application approved with restrictions until 2021
- Further disposal measures implemented (Springen, Bergmannssegen-Hugo, Bernburg gas caverns, new storage basins)
- **Saline wastewater disposal remains a challenge**
- **As of 2018, relief thanks to KCF plant**
(Reduction in saline wastewater volume of a further 20 percent)



Annual General Meeting 2017



K+S Group / 5

Ladies and Gentlemen,

Another reason to be confident is the development of the **disposal of saline wastewater** of our Werra plant. Deep-well injection has again become a possibility for us since the beginning of this year, which was not the case over longer periods, due to the even lower permissible deep-well injection volume in 2016. The new permit is an important step toward higher production security for our domestic production of potash.

At the same time, however, the authorities have approved a markedly lower annual injection volume than we applied for. The permitted daily injection volume has also been strictly limited. The permit additionally includes a number of auxiliary conditions.

As such, production in 2017 will not be ideal. We have already seen this in the first weeks of this year: the Hattorf site was unable to produce from January 21 to February 14 due to low water levels in the Werra. In this regard, kainite crystallization with subsequent flotation, or KCF for short, will bring about a significant improvement: the facility is currently under construction and from 2018, the volume of wastewater will decrease significantly by about a further 20 per cent, thereby also decreasing the risk of suspended production. So 2017 should be a transitional year.

Then, we are working intensively to implement further, partly temporary, measures regarding wastewater disposal. These measures are intended to limit production restrictions as much as possible in the event of low water levels, but unfortunately we are unable to exclude them.

Some steps have already been completed:

- We have been storing salt solutions in the Springen mining field since last August.
- November 2016 saw the start of tailing pile runoff discharge into the disused K+S Bergmannssegen-Hugo mine. The permit to discharge process wastewater is available since the day before yesterday. That helps us a lot.
- Since February of this year, a cavern of the Bernburg underground gas storage facility that can no longer be used to store natural gas is now being used to store process wastewater. Further caverns could follow.
- In addition, the storage basins have now been expanded to a capacity of over 500,000 cubic meters, through which we were able to further increase the flexibility of the wastewater management on site.

This all contributes to maintaining the economic efficiency of the Werra plant regarding the disposal of liquid waste.

We are also working to implement and check long-term solutions in relation to the “Salt” management plan of FGG Weser (the Weser River Basin Association) and the four-phase plan that we developed with the Federal State of Hesse. These include the covering of tailing piles, the underground storage of saline wastewater in large volumes, and the construction of a pipeline to the Upper Weser.

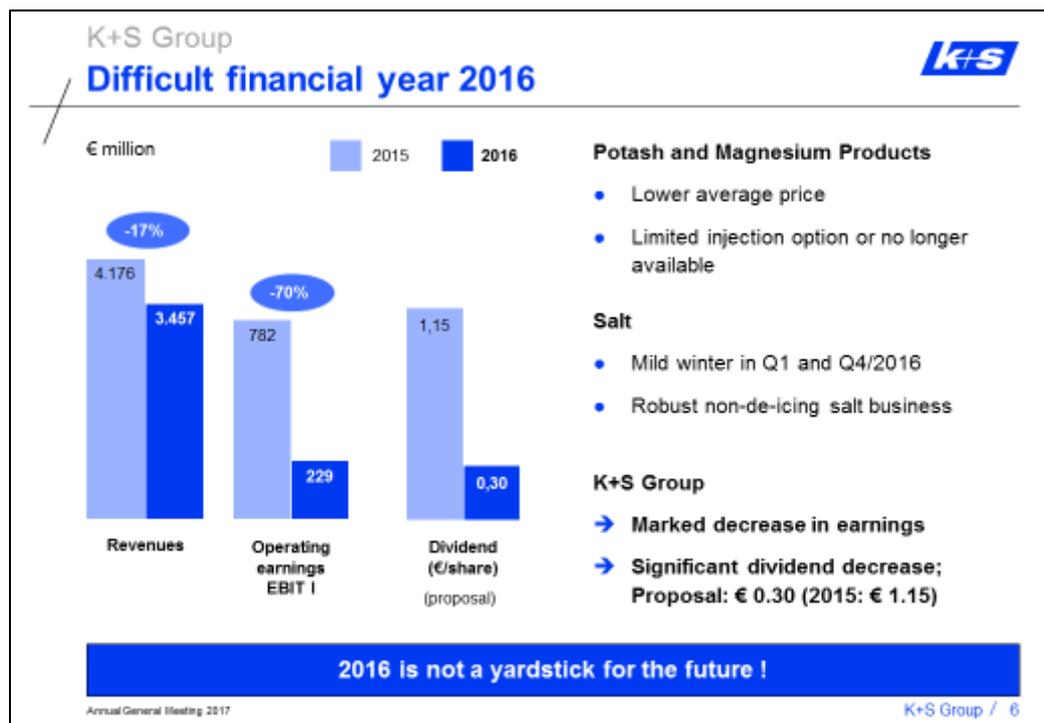
We are delighted to now be able to participate in the “Salt Reduction Working Group” of FGG Weser. The work of this group is generally considered to be constructive and good. This is one of the reasons why we – contrary to our initial plans announced at the previous Annual General Meeting – decided not to file a complaint regarding certain aspects of the management plan for the period from 2015 to 2021. We simply did not want to supply any excuses for the termination of this collaboration.

We do not want to be stubborn either: we commissioned K-UTEC Salt Technologies AG of Sondershausen to develop a concept for deriving further products from the processing of saline wastewater. We are expecting concrete and, in the best case, feasible proposals by the end of this year at the latest. Without wishing to anticipate the results, residue-free potash production, which we have always been reproached for, will definitely not be possible.

All in all, we are optimistic that we can achieve further progress for the benefit of the Company and the environment. Our aim is to ensure the future viability of domestic potash production in accordance with increasingly demanding environmental requirements.

Ladies and Gentlemen,

As you can see, we are doing a lot. This is also true for the storage and disposal of heavy metals, which are dissolved at the bottom of the tailing piles. We deliver on our promises. Together with KCF, the investments of our environmental protection for the Werra plant have amounted to well beyond the €500 million mark since the launch of the “package of measures” in the fall of 2011; additional investments will follow. I hope I am not being presumptuous if, at my last Annual General Meeting, given the environmental improvements that have been and will be made, I say to those who are in dispute with us or who are “making an example of us” for the sake of their political interests (and as a diversion from their own problem areas): “Make your peace with us. We are on the right track. Let us get on with things without having to deal with constant complaints!” Regardless, there is no way can we be charged under criminal law. We are working in compliance with laws and regulations!



Ladies and Gentlemen,

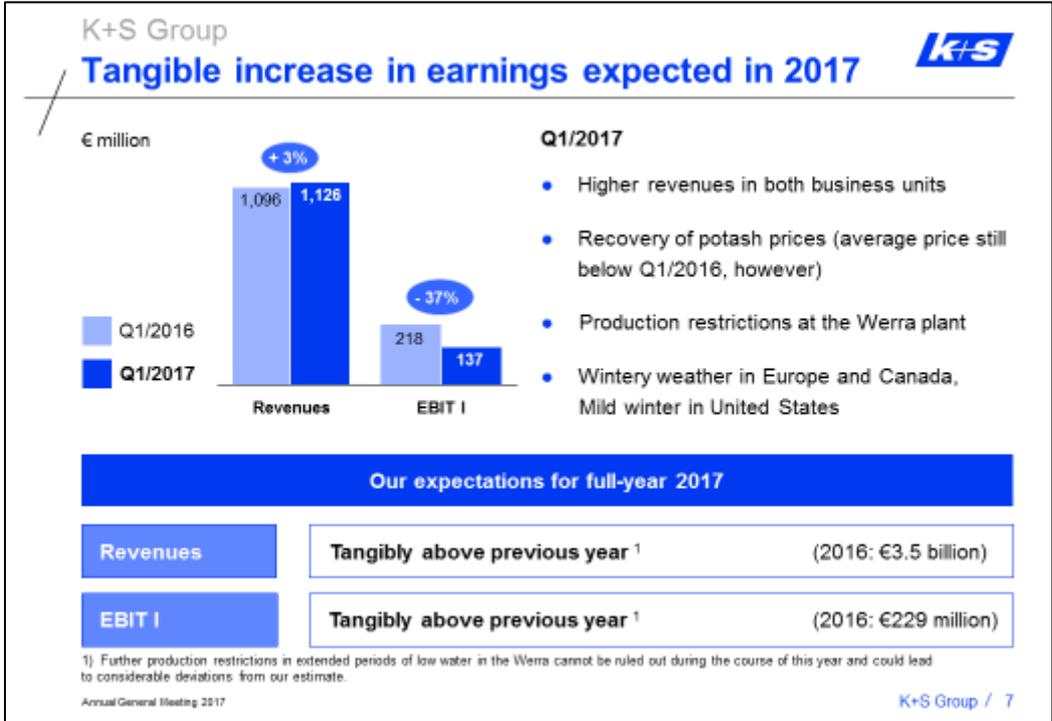
The prospects regarding the achievement of our environmental targets should not in any way obscure the fact that saline wastewater disposal posed particular challenges for the Group in the past **financial year 2016**: we were forced to contend with substantial effects, including financial ones, because operations were solely dependent for a number of months on the water levels of the Werra, i.e. the weather. Production restrictions were unavoidable. This factor alone reduced the K+S Group's net income by nearly €200 million. At the height of the suspensions, over 1,000 of our miners and employees above ground were working reduced hours.

The environment for our operating business wasn't favorable in the past year either. The winter, both at the beginning as well as at the end of the year, was dry and mild. In addition, low potash prices led to a sharp drop in operating income in the Potash and Magnesium Products business unit.

As a result, we were unable to earn our cost of capital in 2016, and the Group's revenue fell to €3.5 billion. We were only able to offer you, our respected Shareholders, a much lower **dividend** compared with the previous year, based on our earnings-based dividend policy, of **30 cents per share**. However, the payout ratio of 44 per cent

nonetheless lies within the payout corridor that we fundamentally seek to achieve of between 40 and 50 per cent of adjusted consolidated income.

Despite the adverse framework conditions, we generated an operating income of €229 million. One of the reasons for this was our strong business in salt for purposes other than road safety: for the first time in the history of K+S, the Salt business unit was the primary driver of revenue for the Group. This is impressive evidence of the success of our two-pillar strategy and of the strength of the K+S Group. Nevertheless: 2016 was never and is not a yardstick for the future!



We shall now have a look at the **first quarter of 2017**.

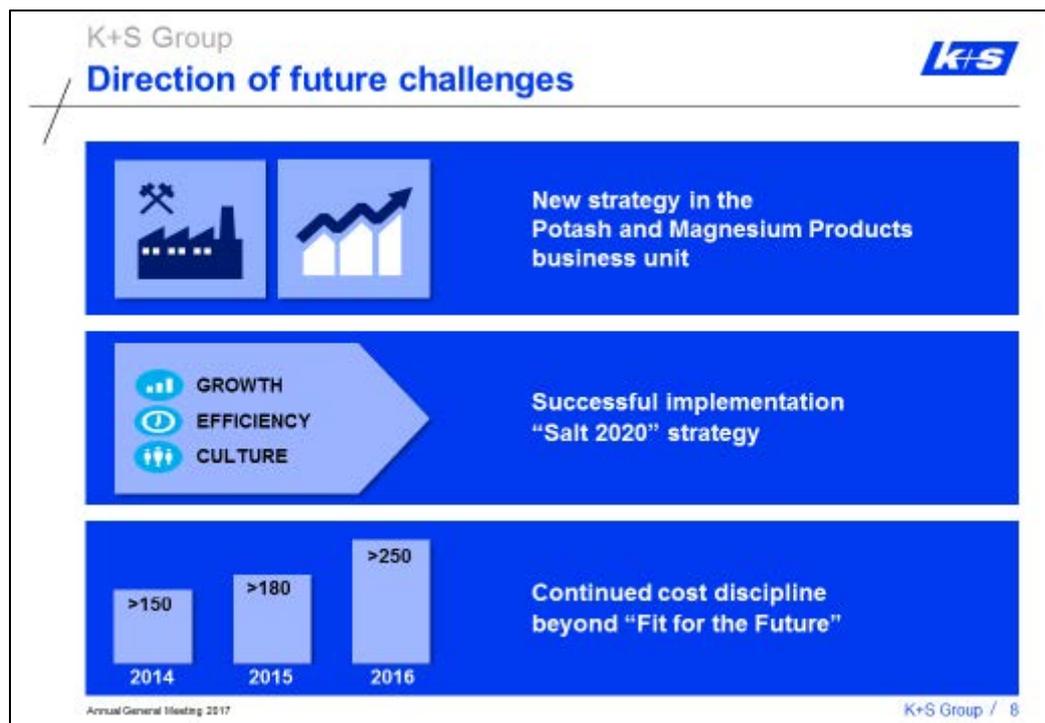
Revenues continued to grow during this period in both business units. In Europe and Asia in particular, we experienced a high demand for fertilizer specialties. The average price in the Potash and Magnesium Products business unit, after hitting bottom in the third quarter of 2016, then rose for the second time in a row. We also achieved a solid income from Salt thanks to the respectable performance of the non-de-icing salt business, with wintry weather conditions in Europe and Canada and milder conditions in the USA.

If, however, operating income in the first quarter declines significantly, this will primarily be due to weather-related restrictions on production at the Werra plant, to a one-time payment to employees following the closing of the payroll for 2017, as well as to lower prices in North American de-icing salt business. In addition, one should not forget that the average price for potash also fell below the level for the same quarter in the previous year. Positive currency effects and cost savings were only partially able to offset all of these events.

We expect a slight tailwind in the market for the **year as a whole**. Potash prices will probably continue to recover and we expect rising sales in both business units. All in all, we expect the revenue and operating income of the K+S Group to increase noticeably in 2017 compared with the weak previous year.

However, the outlook for the Potash and Magnesium Products business unit remains problematic. The injection permit that was issued significantly increased the production security of our Werra plant, particularly in connection with our additional measures. As the situation currently stands, full operations are secured for all three sites for the coming weeks. However, the recurrence of production restrictions cannot be completely excluded in the event of long periods of low water levels in the Werra.

Moreover, the ongoing approval process – for example, concerning the expansion of the tailing pile at the Hattorf site – is proving to be highly demanding both in terms of content and time. To ensure a direct connection with the ongoing approval process, we want to begin the necessary preparations in the middle of the year. We are working intensely to ensure that our application for an “early start” will be approved on time; however, we cannot guarantee this.



Ladies and Gentlemen,

Our strategic initiatives and measures to improve efficiency and lower costs are also important. We want to use them to position the Company to meet future challenges, as well as to strengthen its earnings capacity.

In the past year, we revised the strategy for our **Potash and Magnesium Products business unit**. In this regard, the most important concern is to expand the specialties business.

The first steps in implementation are the acquisition of the Chinese magnesium sulfate manufacturer Huludao Magpower and the invested interest in Al-Biarq in Saudi Arabia. This company, whose corporate seat is on the Red Sea, produces entirely water-soluble potassium sulfate. It is therefore expecting to profit from the fastest growing segment in the fertilizer market: fertigation. With this acquisition and interest, we have strengthened the business unit's product portfolio, while at the same time opening up new sales regions. We will continue to follow and not diverge from this path in order to enable additional, profitable growth.

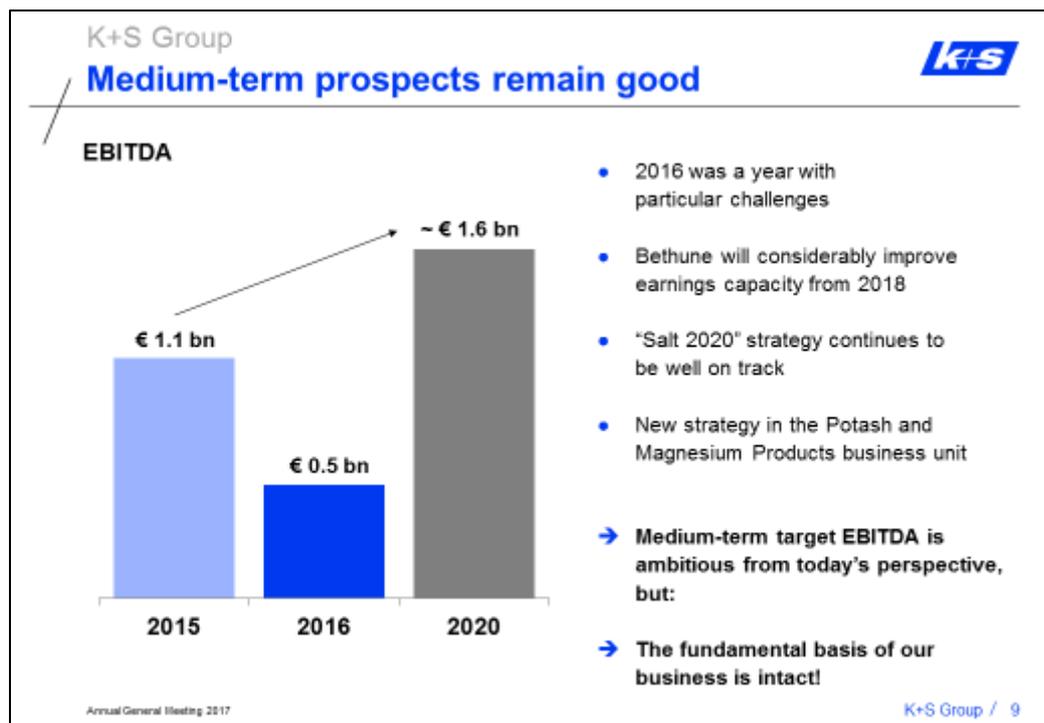
In the **Salt business unit**, we continue to make very good progress in implementing our “Salt 2020” strategy. The business unit is much less dependent on the volatile de-icing salt business than it was a few years ago, and it has already made significant progress in growth and efficiency.

Our European subsidiary *esco*, for example, has optimized its commercial and plant processes. Furthermore, *esco* is betting on growth in higher-margin segments, for example pharmaceutical salts. The focus of our US subsidiary *Morton Salt* is still on improving the production and distribution network. In addition, the solar salt activities will be reorganized, which will contribute to a better utilization of existing resources. Last but not least, Morton is continuing to concentrate on expanding its strong premium brand, *Umbrella Girl*.

We successfully brought our **Fit for the Future** program to its conclusion last year.

The aim of that program was to make the cost and organizational structures of the entire K+S Group more efficient. We also wanted to achieve total cost savings of €500 million in 2014 to 2016 compared to previous planning for this period. We significantly exceeded this target with savings of around €600 million.

Costs were reduced sustainably in the areas of production, materials management, logistics and IT in particular. However, we cannot remain complacent: we have planned concrete measures for the coming years in order to exploit further potential savings.



All in all, we are confident that we can achieve an EBITDA of around €1.6 billion in 2020 as planned.

In the Potash and Magnesium Products business unit, we are particularly optimistic about the potential of our new "Bethune" potash mine. From 2018, this site will start to make positive contributions to income. All in all, the business unit should be able to contribute €1.2 billion annually to our target EBITDA starting in 2020.

In addition, the Salt business unit is expected to achieve an EBITDA of €400 million; I add: of at least €400 million. If the business unit continues to pursue its "Salt 2020" strategy so successfully – and there is no reason to doubt this – it will also achieve this target if the winter is normal.

Also, in addition to the strategic initiatives that were previously mentioned, we are developing many measures and plans that should contribute to the achievement of our target for 2020.

While the current price level for plant nutrients containing potash undoubtedly constitutes an enormous challenge regarding this target, we believe that this low level will not be sustained because, in our view, the fundamental, medium- and long-term growth trends for our business remain intact.

K+S Group


Your company – our responsibility





- We extract and process raw materials that are continually needed
- We are consistently working on increasing our productivity and efficiency
- We are a company with a clear strategy as well as competent and experienced management

→ **K+S is well prepared – Your company is and remains in “good hands”!**

Annual General Meeting 2017

K+S Group / 10

What do I mean by this?

The global population is growing, people are ageing, and prosperity is on the rise in emerging market countries. Modern society will continue to be reliant in the future on the products that we produce each day in many sectors: agriculture, industry, food, medicine are all areas in which our work makes important contributions. In brief, we extract and process raw materials that are constantly needed.

We are also continuously working to increase our productivity and efficiency – and we are working intensively on the challenges of digitization in its entirety. So this not only makes us fit for the challenges posed by our competitors beyond merely the short term. We are also increasing the value of the Company sustainably in the medium term. This not only meets the expectations of those who provide our capital and of investors – *your* expectations – but also our own expectations as a growth-oriented commercial enterprise.

Lastly, we are a company with a clear strategy and a competent and experienced management team. With our two business units, Potash and Magnesium Products and Salt, we are more resilient to fluctuations in the international markets. With Bethune, we have built the most modern potash plant in the world, thereby underscoring that we are one of the important potash producers. In Salt, we will preserve our strength in de-icing salt, as well as sustainably improve the many other strengths of our salt products.

Nevertheless, it is necessary from time to time to look far into the future. Therefore we already last year have started the preparations for an analysis of our group strategy. It is compulsory to look at the entire company and its prospects within and outside the existing business units. The project will take some time. I hope, after so many years in the board, I can still allow myself a highly personal, non-binding comment: I cannot imagine that K plus S could no longer be for Kali and Salz (potash and salt) in the future.

Be that as it may be: Dear Shareholders, your K+S is well positioned – and will continue to be so – when I hand over my responsibilities as chairman of the Board of Executive Directors of K+S Aktiengesellschaft to Dr. Burkhard Lohr. We have worked together closely and in a spirit of mutual trust for some years. I value him as an experienced and competent colleague. I therefore assure you that our K+S and the entire Board of Executive Directors team are in good hands with him. Dear colleagues, good luck and all the best!

Ladies and Gentlemen,

Before I conclude, some more formal points: The Board of Executive Directors has not made use of the permission granted by the Annual General Meeting two years ago to buy its own shares.

Under item 7 of the agenda, the Board of Executive Directors and the Supervisory Board are proposing amendments to the Articles of Association of rather a formal nature. They are intended to make use of the possibilities provided by the German Corporate Governance Code and will enable the bodies of the Company to communicate

with each other in accordance with modern practices. We therefore kindly request your support for these proposals. Thank you.

K+S Group

“Mining is not a one-man show!”



→ **The Board of Executive Directors extends its thanks to the over 14,500 employees worldwide!**

- A company cannot be led without the knowledge, awareness and experience of its employees.
- Reliability, mutual support and responsibility for the community remain the foundations of the work of K+S.

Annual General Meeting 2017

K+S Group / 11

Ladies and Gentlemen,

I would like to give my heartfelt thanks to everyone who has supported and helped me and my work over the past 24 years, the last 10 of which I have served as chairman of the Board of Executive Directors!

As it says in the “Schwazer Bergbuch” (The Mining Book of Schwaz) from 1556 – “mining is not a one-man show”. This statement, which was referred to by Dr. Bethke, is one I repeatedly quote because I firmly believe in it, and I do so again here, today.

Mining is a team effort. Mining today usually consists of complex, interconnected processes that require a high degree of expertise and collaboration. Miners know that they are dependent on one another, and that they form a community bound together by common risks, or even better – by a common concern for safety.

The same is true for managers and directors, who are members of this community. They know from their own experience what they can and should expect from their

subordinates, as well as what they should be grateful to them for. This naturally also applies very pertinently to the Board of Executive Directors and its chairman: good decisions cannot be made and a company cannot be led without the knowledge, awareness and experience of its employees. And virtues such as reliability, mutual support and responsibility for the community have always been and continue to be the foundations of the work of K+S.

Together, we have been confronted with enormous challenges in recent years, and together we have made the Company what it is today, despite some difficult obstacles: we are one of the world's leading commodities companies and are the world's largest salt producer.

Ladies and Gentlemen,

I am certainly also speaking on your behalf when I express my wholehearted thanks to our over 14,500 employees worldwide for their accomplishments and commitment in recent years!

However, the future will not be presented to us on a silver platter. The challenges will continue to be demanding as well. All our employees – as well as you, our respected Shareholders – know that the Company must continue to make great efforts to remain viably on a successful track. However, I hope that you fully share our confidence in the further development of the K+S Group.

Also on behalf of my colleagues on the Board of Executive Directors, I would like to thank you for your trust and constructive cooperation over the past financial year. And I hope you will remain loyal to us – the Company and the new management on the Board of Executive Directors and the Supervisory Board.

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 – materialize, 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.