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<td>Supply Chain</td>
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<td>Participation in the Company’s Success and Pension Scheme</td>
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<td>Co-determination</td>
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<td>Ideas Management</td>
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</tr>
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**3 CREATING VALUES**

- 3.1 The K+S Value Chain
- 3.2 Corporate Governance
- 3.3 Product Responsibility
- 3.4 Quality Management
- 3.5 Customer Interests
- 3.6 Research and Development
- 3.7 Service and Consultancy
- 3.8 Supply Chain
- 3.9 Supply Chain
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- 4.1 Environmental Management
- 4.2 Energy Efficiency and Climate Protection
- 4.3 Water and Water Protection
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- 5.1 Personnel Management
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- 5.3 Diversity and Equality of Opportunity
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- 5.6 Health Management
- 5.7 Work Safety
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- 5.9 Co-determination
- 5.10 Ideas Management
## Profit and Loss

| Year | Revenues € million | Potash and Magnesium Products business unit € million | Salt business unit € million | EBITDA margin % | Depreciation % | Operating earnings (EBIT) € million | Potash and Magnesium Products business unit € million | Salt business unit € million | EBIT I margin % | Group earnings, adjusted € million | Group earnings from continued operations, adjusted € million | Earnings per share, adjusted € | Earnings per share from continued operations, adjusted € | Cash flow € million | Operating Cash flow € million | Capital expenditure € million | Free Cash flow € million | Balance Sheet | Balance sheet total € million | Net indebtedness as of 31 Dec. € million | Net indebtedness/ EBITDA | Return on Capital Employed (ROCE) % | Employees | Average number of employees | The Share | Book value per share € | Dividend per share € | Dividend yield % | Closing price as of 31 Dec. XETRA, € | Market capitalisation € billion | Enterprise value as of 31 Dec. € billion | Average number of shares million |
|------|--------------------|------------------------------------------------------|-----------------------------|-----------------|----------------|-------------------------------|-----------------------------|-----------------------------|----------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------|------------------------|---------------------------|------------------|------------------------|---------------------------|------------------|------------------------|
| 2013 | 3,950.4            | 2,037.6                                              | 1,751.4                    | 23.0            | 251.3          | 655.9                        | 667.5                       | 116.8                       | 16.6            | 434.8                       | 437.1                       | 2.27                         | 2.28                        | 757.5                       | 742.5                       | 744.9                       | 7,498.2                     | 6,596.6                     | 1,037.0                      | 1.1                         | 15.2                       | 4421                      | 14421                      | 14362                      | 17.75                       | 0.25                        | 1.1                         | 22.38                       | 4.3                        | 5.3                        | 191.40                      |
UNITS AT A GLANCE \(^1,2\)

### POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues (€ million)</td>
<td>2,037.6</td>
<td>2,290.6</td>
<td>2,133.6</td>
<td>1,867.0</td>
<td>1,421.7</td>
</tr>
<tr>
<td>EBITDA</td>
<td>667.5</td>
<td>867.2</td>
<td>833.8</td>
<td>567.1</td>
<td>317.2</td>
</tr>
<tr>
<td>EBIT I</td>
<td>552.5</td>
<td>770.9</td>
<td>739.5</td>
<td>475.9</td>
<td>231.7</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>606.5</td>
<td>332.9</td>
<td>162.1</td>
<td>96.9</td>
<td>107.4</td>
</tr>
<tr>
<td>Employees (number)</td>
<td>8,367</td>
<td>8,310</td>
<td>8,188</td>
<td>7,900</td>
<td>7,818</td>
</tr>
</tbody>
</table>

Potash and magnesium crude salts are extracted at six mines. We use them to produce a wide range of fertilizers and, in addition, we process our raw materials into products for industrial applications, high-purity potassium and magnesium salts for the pharmaceutical, cosmetics and food industries as well as elements for feed. We are currently making investments to develop the Legacy Project—a greenfield project in Saskatchewan, Canada. The commissioning is expected in summer 2016.

### SALT BUSINESS UNIT

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues (€ million)</td>
<td>1,751.4</td>
<td>1,484.8</td>
<td>1,710.1</td>
<td>1,728.8</td>
<td>1,014.6</td>
</tr>
<tr>
<td>EBITDA</td>
<td>235.9</td>
<td>179.5</td>
<td>337.9</td>
<td>369.7</td>
<td>200.3</td>
</tr>
<tr>
<td>EBIT I</td>
<td>117.8</td>
<td>61.6</td>
<td>211.4</td>
<td>238.1</td>
<td>140.4</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>107.4</td>
<td>111.3</td>
<td>112.3</td>
<td>79.0</td>
<td>48.0</td>
</tr>
<tr>
<td>Employees (number)</td>
<td>5,091</td>
<td>5,092</td>
<td>5,230</td>
<td>5,235</td>
<td>5,279</td>
</tr>
</tbody>
</table>

Salt products of the highest purity and quality are used as food grade salt, industrial salt and salt for chemical use as well as de-icing salt by winter road clearance services to ensure safety on the roads. They are produced in Germany and in other Western European countries as well as in North and South America.

### COMPLEMENTARY ACTIVITIES

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues (€ million)</td>
<td>159.4</td>
<td>153.7</td>
<td>150.4</td>
<td>134.0</td>
<td>120.7</td>
</tr>
<tr>
<td>EBITDA</td>
<td>31.7</td>
<td>28.1</td>
<td>29.0</td>
<td>27.7</td>
<td>21.7</td>
</tr>
<tr>
<td>EBIT I</td>
<td>24.7</td>
<td>21.1</td>
<td>17.9</td>
<td>21.2</td>
<td>15.2</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>3.4</td>
<td>6.3</td>
<td>4.3</td>
<td>4.2</td>
<td>4.6</td>
</tr>
<tr>
<td>Employees (number)</td>
<td>293</td>
<td>293</td>
<td>290</td>
<td>280</td>
<td>278</td>
</tr>
</tbody>
</table>

In addition to recycling activities and the disposal of waste at potash and rock salt mines as well as the granulation of CATSAN® and THOMAS®, the term ‘Complementary Activities’ bundles together further activities of importance to the K+S Group. With K+S Transport GmbH, Hamburg, the K+S Group possesses its own logistics service provider. Chemische Fabrik Kalk GmbH (CFK) trades in different basic chemicals.

Footnotes Ten-Year Summary

1. Information refers to the continued operations of the K+S Group. The discontinued operations of the COMPO business are also included up to 2009, and also the discontinued operations of the nitrogen business up to 2010.
2. The figures of the year 2012 were adjusted due to the change of IAS 19. Further information can be found in the Notes of the Financial Report 2013 on page 143.

3. The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported in EBIT I (see also ‘Notes to the income statement and the statement of comprehensive income’ on page 146 of the Financial Report 2013). In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2013: 28.6 % (2012: 28.5 %).
4. Earnings from continued and discontinued operations.
5. Without non-recurrent deferred tax income of € 41.9 million or € 0.25 per share.
6. FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.
7. Information refers to the continued operations of the K+S Group.
8. The figures of the year 2012 were adjusted due to the change of IAS 19. Further information can be found in the Notes of the Financial Report 2013 on page 143.
9. Investments in or depreciation on property, plant and equipment, intangible assets and investment properties as well as depreciation on financial assets.
10. Includes own shares held by K+S.
11. Total number of shares less the average number of own shares held by K+S.
The K+S Group faced many challenges in 2013. Thanks to our robust business model and the commitment displayed by our employees, we’ve nevertheless managed to post one of the best results in the history of our Company with operating earnings of 656 million euros.

As we usually do at this time, we would like to review the events of the past year with an eye toward the future. On this occasion, we are holding a Q&A with questions we received from our investors in particular, where we can clarify what the future holds and how we are responding to changing market conditions.

On behalf of the Board of Executive Directors, I would like to thank our shareholders and all our customers and partners for the trust you’ve placed in the K+S Group by making us your partner of choice. We also thank our employees for their dedication to helping our business succeed!

Thank you very much and all the very best!

Norbert Steiner
CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS
Mr. Steiner, looking back at 2013, how would you rate it for K+S?

In 2013, K+S again proved that we are a company capable of operationally and strategically adapting to an ever-changing business environment while ensuring our long-term success.

But the past year turned out differently than anticipated.

That’s true. We started out confidently in 2013. The de-icing salt business held strong due to favourable winter conditions in Europe and the US. The potash business also had a promising start, with prices remaining level. On July 30th, Russian Uralkali issued a statement that they would cease cooperation with Belarusian Belaruskali and increase production while reducing prices. This announcement immediately gave rise to many questions – not just for the K+S Group. We carefully analysed the situation and drew our own conclusions, acting where appropriate. With our “Fit for the Future” programme, we are exercising an increased cost control and improved efficiency strategy.

Before we come to the measures that have already been implemented, one more question about the current business environment: Has the market for potash products found itself in a state of upheaval for a long time to come?

It was surprising to experience how the statements made by one competitor could shake the market to such a degree. All the participants in the market saw themselves confronted with a situation of great uncertainty. This caused price pressure, of course. However, our experience shows that these kinds of market disruptions generally subside again.

What strengths does K+S possess that will help the Group to hold its own in this difficult environment?

It’s not about holding our own. We are well prepared and our customers will continue to rely on us in the future! Our Company has been continuing to evolve in a systematic way. We are heavily investing in our future. Our two-pillar business strategy gives us a clear positioning, with robust business units providing good regional and product portfolio diversification. Unlike any of our competitors, the Salt Business Unit produces on three continents and is able to fulfil demand in numerous areas where salt is used by offering every grade of quality. The Potash and Magnesium Products Business Unit is close to its customers in Europe and is also a reliable supplier to select overseas regions. And this doesn't just apply to potassium chloride, the standard product. Thanks to fertilizer specialties and industrial products, our portfolio is far more diverse than that of our competitors.

You mentioned a cost cutting programme that was announced in November. What progress are you making?

The “Fit for the Future” programme is about more than just cutting costs. We do, of course, want to reduce our costs to enhance the competitiveness of K+S
Group over the long term. However, we also see potential for greater efficiency within and between our operating and administrative areas. That’s why we are also working to improve our organisational structure and processes. “Fit for the Future” is well underway. We are making good progress in further detailing the initiatives and have already implemented first measures.

Did the Uralkali announcement help explain why a programme of this kind was needed?

To some extent, yes. But K+S has always attached great importance to cost structures. That’s true for all our divisions. With “Fit for the Future”, we combined programmes that were in play well before the Uralkali announcement with further optimisations that we judged were now necessary given the new challenges. Our employees are ready to be actively involved in proceeding down this path, and they understand why it matters.

Does this also apply to the path with regard to sustainability?

Certainly, because in an increasingly complex world with in part rapidly changing framework conditions, it is important to have more in one’s sights than just oneself. Dialogue is important to understand the concerns of others, to constantly review our operations and, if necessary, to develop alternative solutions – but also to make our positions and points of view clear.

How is this reflected in the sustainability strategy?

We will only be economically successful in the long term if, in our corporate actions, we also take ecological and social aspects into consideration appropriately. Sustainability strengthens openness to change and thus provides opportunities to broaden the corporate perspectives. Our road map for sustainability defines, in nine steps, how material issues under our sustainability strategy are identified and evaluated in a systematic process. We thus filter out what is feasible so as to then be able to orientate our capacities towards the essentials.

You are keeping firmly to the Werra package of measures?

Firstly, the purpose of the Werra measures is to improve water protection and to reduce the negative externalities of potash mining. As a corporation we have given our word and we intend to keep it. However, this should not be dismissed as a matter of course given the significantly tougher business environment. I also don’t want to conceal that I personally have had my doubts about whether this is a proportionate ecological response, given that Werra and Weser are also affected by stress factors other than K+S.

What do you mean by other stress factors?

The Werra and the Weser have been used by people for centuries and have therefore also been impacted in various ways. Thus, for a further improvement in the status of the waterbody, only a holistic approach will work. In this, apart from the input into the rivers itself – salt and chloride, but also nitrogen or phosphate – a role is also played by structural deficits through riverbank straightening and barrages, to name but a few. From the perspective of aquatic ecology, the salt factor in the Weser is already today no longer the exclusively decisive factor for an overall assessment of the status of the waterbody. That there be no misunderstandings: We will continue to work to reduce the saline waste water arising in potash crude salt processing.
Regarding the Legacy Project, couldn’t you wait with the capital expenditure until the situation on the potash market clears up?

It is vital to proceed with developing our plant in the Canadian province of Saskatchewan. When completed, this project will ensure our participation in the growing potash market, and introduce greater flexibility into our cost base. To apply a farming image to Legacy: We are sowing now to reap a good harvest later.

So, are you making progress in Canada?

We are on schedule with the construction work and the preparations. Comprehensive engineering planning of the plant was completed in the autumn of 2013, so we can confirm the schedule and costs. Costs will total 4.1 billion Canadian dollars and the plant will become operational in the summer of 2016. Legacy will then provide benefits in the medium term and quickly begin to increase profitability and reduce the indebtedness of the Group.

Critics say these types of projects are not worthwhile in a market where there is an imminent danger of overcapacity and low prices. What is your response?

As a commodities company, we think and act long term. The potash market rewards patience and we are not going to allow ourselves to be deflected from our path by temporary upheavals. The global population will continue to grow. There will be as many as 10 billion people living on our planet in 2050. This means that the demand for food will increase, while, at the same time, usable arable land per capita will decrease. New opportunities will evolve. Africa, for example, is a continent with great potential. We will also continue to profit from these trends, which remain relevant in other areas of everyday life. I would like to repeat that our Potash and Magnesium Products Business Unit produces more than just fertilizers. To provide just a few examples, we also supply products for the chemical industry, for oil and gas exploration, and for people’s health and nutrition.

Demographic change and the associated growth of the world population are among the so-called megatrends which K+S dealt with intensively last year. What others are relevant for K+S apart from these?

Apart from demographic change, these are scarcity of resources, globalisation, innovation cycles and climate change. It is important to deal with these long-term strategic issues. The effects of megatrends are tangible worldwide, even if their extent and form differ regionally. We observe, analyse and assess these megatrends and in the process we factor in both direct and indirect effects on K+S.

The salt business gets more attention in the winter months in particular. What makes this business so attractive for K+S?

The number of applications for salt (sodium chloride) is enormous. You usually think of de-icing salt and food grade salt. What many people don’t know is that salt is just as essential for the production of glass and plastics as it is for water softening and for pharmaceutical industry purposes. If I tried to list every area there would be no time for further questions so I will stop there, but there are countless applications for sodium chloride and we deliver the base products for them in the form of salt. With our “Umbrella Girl”, we also have an iconic brand in our portfolio in the United States. Last but not least, for the extrac-
tion of raw materials underground or by solution means, there is scarcely any difference between potash and magnesium mining, and salt. So we profit very well from cross cutting technologies across our Potash and Magnesium Products and Salt Business Units.

When you take a look into the future, how do you rate the prospects for the K+S Group?

Despite the great challenges that lie ahead of us, we remain confident. The K+S Group is an economically sound and robust company with a proven strategy for reliably serving our customers and for offering our employees an exciting and challenging environment. And that is something that our investors will profit from too.
was born in Siegen in 1954. After studying law in Heidelberg and a legal traineeship within the district of the Higher Regional Court of Karlsruhe, he began his professional career in the tax department of BASF AG in 1983, whose sub-department of customs and excise duties he headed from 1988 onwards. In 1993, he became head of the legal affairs, tax and insurance department of K+S AKTIENGESELLSCHAFT. In May 2000, Norbert Steiner became a member of the Board of Executive Directors, in January 2006, Deputy Chairman and in July 2007, Chairman of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT. He is responsible for the Corporate Communications, Corporate Development, Executive HR and Investor Relations Departments as well as for Governance/Risk/Compliance/Corporate Secretary.

was born in Essen in 1963. After completing his Business Administration studies at the University of Cologne, he joined MANNESMANN AG in 1991. From 1993 onwards, he held various functions at HOCHTIEF AG, Essen, including as member of the management of the Munich branch and as CFO of HOCHTIEF CONSTRUCTION AG, Essen. In 2001, Burkhard Lohr obtained his Dr. rer. pol. degree from the Technical University of Braunschweig. As of 2006, as CFO of HOCHTIEF AG, he was responsible for Finance, Investor Relations, Accounting, Controlling and Taxes. In 2008, he also became Personnel Director. Since 1 June 2012, he has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT, responsible for Corporate Controlling, Corporate Procurement, Corporate Tax, Finance & Accounting and Internal Audit, as well as for CHEMISCHE FABRIK KALK GMBH and all direct shareholdings of K+S AKTIENGESELLSCHAFT, as far as they are not assigned to another area of responsibility.

was born in Dortmund in 1965. After studying mining in Clausthal-Zellerfeld and Aachen, he became a research assistant at DMT GMBH in Essen, parallel to this, he obtained a doctorate in engineering. In 1995, he joined STEAG AG, where, after a spell at a power plant site, he worked at the company’s head office in Essen. He then came to the US ENRON group, for which he worked at various positions in London, Oslo and Frankfurt am Main from 1998. In 2002, he switched to RWE and was a member of the Board of Executive Directors of RWE TRANSGAS A.S. in Prague. In 2003, he was appointed to the Board of Executive Directors of RWE ENERGY AG, before becoming CEO of RWE TURKEY HOLDING A.S. in Istanbul in 2009. Since September 2013, Dr. Andreas Radmacher has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT with responsibility for the Potash and Magnesium Products business unit.

1 A member of the Board of Executive Directors since 1 September 2013.
was born in Freden in 1953. After studying mining at Clausthal Technical University, he worked in mining operations at various plants and in the mining division at the head office of Kali und Salz AG (now K+S Aktiengesellschaft). Between 1990 and 1996, he held several plant manager positions in the mining division. Between January 1997 and September 2001, Gerd Grimmig was managing director of Kali und Salz Gmbh and responsible for the mining department. Since October 2000, he has been a member of the Board of Executive Directors of K+S Aktiengesellschaft. He is responsible for the Waste Management and Recycling business unit as well as K+S Consulting, MSW Chemie, the Technical Center (Mining, Geology, Technics/Energy, Research & Development, Environment & Safety, Inactive Plants) and Animal Hygiene Products.

was born in Neukirchen-Vluyn in 1958. After studying law and subsequently obtaining a doctorate from Münster University, he completed his legal traineeship, inter alia in Düsseldorf and Montreal, Canada. In 1991, he started his professional career at RAG AG, where he held various positions. Subsequently, in 1998, he was appointed member of the Board of Executive Directors of RAG Saarberg AG and was responsible for personnel, legal affairs and IT management/organisation. Dr. Thomas Nöcker has been a member of the Board of Executive Directors of K+S Aktiengesellschaft since August 2003. He is Personnel Director and is responsible for Corporate HR and Corporate IT as well as for the Business Center (HR Services, IT Services, Communication Services, Real Estate & Facility Management, Financial Accounting, Logistics Procurement Europe, Project Management, Insurances, Legal and Procurement Europe) and K+S Transport Gmbh.

was born in New Jersey, USA, in 1963. He started his professional career at Victaulic Corporation of America, serving as a marketing manager. He joined Ashland Chemical Company in 1988 as a sales representative and national account manager. In 1992, he joined Potash Import & Chemical Corporation (PICC), the U.S. distribution company of K+S Kali, as a sales manager, and subsequently became its vice-president. In 2004, he became PICC’s President, and in April 2008, he was named CEO of International Salt Company (ISCO) in Clarks Summit, Pennsylvania, USA. On 1 October 2009, Mark Roberts became CEO of Morton Salt in Chicago, Illinois, USA. Since 1 October 2012, he has been a member of the Board of Executive Directors of K+S Aktiengesellschaft with responsibility for the Salt business unit.
THE K+S GROUP

K+S PURSUES A TWO-PILLAR STRATEGY / Legacy Project proceeding according to plan / Uncertainties in the potash market mark the year 2013 / Group revenues at € 3.95 billion overall stable
1.1 BUSINESS UNITS

With the Potash and Magnesium Products business unit as well as the Salt business unit, the K+S GROUP has two complementary business units, linked by synergies, with attractive growth prospects at its disposal. We are pursuing a two-pillar strategy which provides for growth in these two business units in particular and for focusing our management resources and financial means on this.

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

K+S is the fifth largest potash producer in the world, the leading supplier in Western Europe, and, in 2013, enjoyed a share of about 10% in global potash sales volumes. On the basis of the globally unique mix of raw materials of the German deposits – they contain not only potassium but also magnesium and sulphur – the Potash and Magnesium Products business unit has a range of products more diverse than that offered by any other potash producer in the world. It offers its customers fertilizers, products for industrial applications, high-purity potassium and magnesium salts for the pharmaceutical, cosmetics and food industries as well as elements for the production of feed. / FIG: 1.1.1

The Potash and Magnesium Products business unit extracts potash and magnesium crude salts at six mines in Germany, which are further processed there and at a former mining site to create end products or intermediate products. Furthermore, the business unit has three processing sites in France. The annual production capacity is up to 75 million tonnes of potash and magnesium products. These activities are reflected in K+S KALI GMBH and its subsidiaries / FIG: 1.1.2, 1.1.3 / www.kali-gmbh.com

EXPANSION OF POTASH CAPACITIES

The worldwide demand for potash is expected to increase by 3 to 5% per year in the coming years. For this reason too, we are pursuing a strategy of expanding our production capacities for potash. For this purpose, we are currently building a new potash plant in the Canadian province of Saskatchewan. The Legacy Project – established in our Company K+S POTASH CANADA GP – is a greenfield project for the construction of potash production on the basis of solution mining. It gives us the possibility of increasing our annual production capacity in the long term by at least 2.86 million tonnes.

<table>
<thead>
<tr>
<th>SUPPLIER STRUCTURE ON THE GLOBAL POTASH MARKET</th>
<th>FIG: 1.1.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>in %</td>
<td>5</td>
</tr>
<tr>
<td>Uralkali</td>
<td></td>
</tr>
<tr>
<td>PotashCorp</td>
<td></td>
</tr>
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<td>Mosaic</td>
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<td></td>
</tr>
<tr>
<td>Agrium</td>
<td></td>
</tr>
<tr>
<td>China2</td>
<td></td>
</tr>
<tr>
<td>Others3</td>
<td></td>
</tr>
</tbody>
</table>

Year 2013 (e); incl. sulphate of potash and potash grades with lower K₂O content.

Sources: K+S, company information

1 DSW, Iberpotash, CPL
2 More than 20 producers
3 Intrepid, Vale, Compass, Uzbekistan
The official ground-breaking ceremony for the potash plant was held in June 2012. In 2013, we invested chiefly in infrastructure, the water supply, drilling and engineering work. The plant is planned to go into operation in summer 2016, the two-million-tonne mark being reached at the end of 2017. Subsequently, annual capacity will be gradually expanded to 2.86 million tonnes of potash products.

The new potash plant supplements the existing production network by a site on the American continent, reducing average production costs and extending the average lifetime of the K+S potash mines. In future, the new site will primarily be the starting point for sales to the growth markets of Asia and South America as well as in North America.

With an annual production capacity of about 30 million tonnes of salt, K+S is the world’s largest supplier of salt products. The Salt business unit offers its customers food grade salt, industrial salt, salt for chemical use and de-icing salt, which are all based on sodium chloride (common salt). Depending on the particular applications, the products differ primarily in terms of their grain size, degree of purity, the form in which they are supplied and possible additives.

The Salt business unit includes the European producer ESCO – EUROPEAN SALT COMPANY GMBH & CO. KG, the South American supplier K+S CHILE S.A. (formerly SOCIADAD PUNTA DE LOBOS), and MORTON SALT, INC. with production sites in the United States, in Canada and on the Bahamas.

Revenues of Health Care & Nutrition are included in the industrial products revenues.

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/ www.ks-potashcanada.com

/ www.esco-salt.com
ONE OF THE LARGEST SALT PRODUCERS IN NORTH AMERICA

MORTON SALT operates six rock salt mines, nine evaporated salt plants, three solar salt plants and four sites further processing solar salt in the United States, in Canada as well as on the Bahamas. The annual production capacity is about 13 million tonnes of salt. MORTON SALT is one of the largest salt producers in North America.

/ www.mortonsalt.com

THE UMBRELLA GIRL AND THE WINDSOR BRAND

SHE’S STILL THE ONE

The products with the UMBRELLA GIRL are the best known food grade salt brand in the United States. The morton brand is celebrating its hundredth anniversary in 2014. The little girl scattering salt in the rain appeared on a salt packaging for the first time in 1914. Throughout the years, she’s changed dresses, hairstyles and facial expressions to stay fashionable – but the appeal of this distinctive character still remains the same. On the occasion of the anniversary morton created a special logo-mark and the slogan “She’s Still the One.”

WINDSOR is the umbrella brand under which MORTON SALT’S subsidiary, K+S WINDSOR SALT (formerly THE CANADIAN SALT COMPANY), markets salt products in Canada. The brand name on the logo with the stylised castle refers back to the commencement of salt production in the Canadian town of Windsor, Ontario, in 1893. Today, K+S WINDSOR SALT is the largest salt producer in Canada. The WINDSOR brand portfolio comprises more than 200 evaporated and rock salt products. At www.windsorsalt.com, you can find out more about the WINDSOR brand products.

LARGEST SALT SUPPLIER IN SOUTH AMERICA

K+S CHILE extracts rock salt in Salar Grande in Chile’s Tarapacá desert through cost-effective open-cast mining. In 2013, the production capacity was expanded to about 8 million tonnes per year. In the north-eastern part of Brazil, the subsidiary SALT Diamante Branco operates a sea salt facility with an annual capacity of 0.5 million tonnes. With two own as well as additionally chartered ships, the company-owned Chilean shipping company EMPREMAR provides maritime logistics for K+S CHILE in South America. K+S CHILE is the largest salt supplier in South America and services the growing South and Central American markets.

/ www.ks-chile.com

SUPPLIER STRUCTURE ON THE GLOBAL SALT MARKET

(Crystallised salt and salt in brine, excl. captive use)

<table>
<thead>
<tr>
<th>Capacity in million tonnes</th>
<th>5</th>
<th>10</th>
<th>15</th>
<th>20</th>
<th>25</th>
<th>30</th>
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<td>K+S (GER)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>31.3</td>
</tr>
<tr>
<td>China National Salt (China)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cargill (USA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>14.0</td>
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<tr>
<td>Compass Minerals (USA)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13.4</td>
</tr>
<tr>
<td>Dampier Salt (AUS)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>10.3</td>
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<tr>
<td>Artyomsol (Ukraine)</td>
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<td></td>
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<td>Exportadora del Sal (MEX)</td>
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<td></td>
<td></td>
<td></td>
<td>7.0</td>
</tr>
<tr>
<td>SüdSalz (GER)</td>
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<tr>
<td>Akzo (NL)</td>
<td>4.1</td>
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<tr>
<td>Mitsui &amp; Co (AUS)</td>
<td>3.8</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Salins Group (F)</td>
<td>3.7</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Sources: Roskill 2011, K+S

/ www.ks-chile.com
Waste Management and Recycling

The Waste Management and Recycling business unit uses the underground caverns created as a result of the extraction of crude salts for the long-term safe disposal of waste and for waste recycling. It thereby relies on the available infrastructure of the German potash and salt mines. The market is very competitive, but the K+S Group offers added value for the customer with its complete solutions. In the case of recycling salt slag from the secondary aluminium industry, K+S is one of the leading providers in Germany and in the rest of Europe. Our core markets are located in Western and Central Europe, while the East European states offer growth potential.

Animal Hygiene Products

We granulate the animal hygiene products CATSAN and THOMAS for MARS GMBH at our Salzdetfurth site. Existing plants and large sections of the infrastructure of a disused potash plant continue to be utilised economically successfully for this purpose.

Trading Business (CFK)

Chemische Fabrik Kalk (CFK) trades in selected basic chemicals. They include caustic soda, nitric acid, sodium...
carbonate (soda) as well as calcium chloride and magnesium chloride. CFK’s customers include European chemical companies, glassworks, metal processing businesses, detergent manufacturers, breweries, as well as cities, towns and local authorities, which use calcium chloride or magnesium chloride for winter road clearance services.

1.2 BUSINESS FRAMEWORK CONDITIONS

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

The assessment by farmers to encounter a stable level of prices for fertilizers caused the demand for potash fertilizers to rise significantly in time with the start of the spring season in Europe and North America as well as in South America and South East Asia. However, the international prices for potassium chloride over the course of the first three months were below those of the same quarter of the previous year. In the second quarter too, demand continued to remain on a good level, while prices remained stable overall.

At the end of July, the announcement issued by Russian urALKALI that it would leave the bpC sales organisation operated jointly with Belarusian belARUSKALI and its associated statements saying it would expand its own capacity and the utilisation of that capacity regardless of the price level created considerable uncertainty about future volume and price trends on the potash market. In the third quarter, this initially resulted in significant buying restraint on the part of potash customers and subsequently in a tangible reduction in the price level in some international markets as compared with the preceding quarter.

Despite good demand for potash products in Brazil and Europe in the run-up to the 2014 spring season, the uncertainty over the future price development continued. In particular, the above-mentioned statements issued by urALKALI, as well as the failure to conclude contracts with Chinese customers, continued to lead to further declining potash prices in the fourth quarter.
1.2 Business framework conditions

Food grade salt

In financial year 2013, the demand for food grade salt increased slightly in Europe, whereas prices were on the level of the previous year. In the North American food grade salt market, slight price decreases were noted.

Salt for chemical use

The market segment for salt for chemical use for the chemical industry in Europe continued to be characterised by oversupply in the year under review, whereas the demand situation improved in the North American regions. In Asia, the market was stable despite weak economic development.

De-icing salt – Western Europe

At the beginning of 2013, the continuing winter weather caused an above-average demand compared with the previous year. In the further course of the year, this also led to an increased demand in the early stocking-up business for the 2013/14 winter season. Despite relatively mild weather conditions in the fourth quarter, the demand for de-icing salt in Western Europe was far above the level of the same quarter of the previous year.

Overall, prices were relatively stable on the high level of a year ago, with slight price pressure being noticeable in some regions of Western Europe.

De-icing salt – North America

In the North American regions, the tender price levels for the winter season 2013/14 came under pressure because, as a result of the winter 2012/13 being generally mild, users still had high stocks. In many regions, the winter weather that set in with snowfall in December caused an above-average demand for de-icing salt.

Industrial salt

While the demand for industrial salt in most South American regions remained practically unchanged, it increased slightly in some regions of Europe. In particular, the improvement in the economic trend in the euro zone contributed to this. In North America, a relatively stable demand situation arose for water softening products.

1.3 Revenues and earnings

Revenues at previous year’s level

In financial year 2013, revenues amounted to € 3,950.4 million and were therefore at the previous year’s level (€ 3,935.3 million). A certain seasonality can generally be recognised from the quarterly revenue figures posted during the course of the year; thus, the first and fourth quarters tend to be stronger, and the second and third quarters somewhat weaker. In terms of volumes, the first quarter for the Potash and Magnesium Products business unit usually profits from the start of spring fertilizing in Europe. The de-icing salt business is normally focused on the first and fourth quarter of a year.

In the first half of the year, the high sales volumes in both business units in particular had a positive effect. Whereas the Potash and Magnesium Products business unit recorded a decrease in revenues due to overall lower...
average prices, revenues increased significantly in the Salt business unit; a main reason for this was the wintry weather at the beginning of the year in Europe.

The second half of 2013 was impacted by market developments after the statements by Russian Uralkali that it would increase its own capacity and the utilisation of that capacity regardless of the price level, and especially the associated buying restraint on the part of potash customers. As a result, revenues in the Potash and Magnesium Products business unit decreased. However, the increase in revenues in the Salt business unit due to the good early stocking-up business in Europe and a strong fourth quarter in North America was able to make up for this decline. [FIG: 1.3.1]

The Potash and Magnesium Products business unit posted the highest revenues of all K+S Group’s business units, accounting for 51.6% of the total revenues, and was followed by the Salt business unit and Complementary Activities.

In Europe, we achieved revenues of a good €1.7 billion, this accounted for 44% of total revenues. North America achieved a revenue share of 30% and South America of 14%. Of total revenues, 9% was accounted for by Asia. [FIG: 1.3.2]

**Operating Earnings EBIT I Dropped**

The operating earnings EBIT I fell in 2013 by €148.2 million or 18.4% to €655.9 million (2012: €804.1 million). These include depreciation of €251.3 million, which increased by €22.1 million in comparison to the previous year. At 16.6%, the EBIT margin still reached a good level (2012: 20.4%).

Whereas the sales volume in the Potash and Magnesium Products business unit in the first half of 2013 remained basically stable, lower prices led to declining earnings. A volume-related increase in earnings in the Salt business unit mitigated the decrease.

The second half of the year was impacted by market developments after the statements by Russian Uralkali that it would expand its own capacity and the utilisation of that capacity regardless of the price level, thus putting further pressure on international prices. This
had a negative influence on operating earnings EBITDA and EBIT I. Especially an increase in earnings in the Salt business unit, due to good early stocking-up of de-icing salt, countered this development.

**GROUP EARNINGS FROM CONTINUED OPERATIONS DROPPED**

In the year under review, Group earnings after taxes from continued operations amounted to € 415.1 million (2012: € 565.3 million). The tax expense amounted to € 133.2 million (2012: € 197.4 million); this amount comprises a deferred and thus non-cash tax income of € 611 million (2012: deferred tax income of € 33.6 million). The reason for the decrease in income taxes was mainly lower operating earnings. The anticipated income tax expense was calculated based on a domestic Group income tax rate of 28.6% (previous year: 28.5%).

To enhance comparability, we additionally report adjusted Group earnings from continued operations, which eliminate the effects from operating forecast hedges. Furthermore, the effects on deferred and cash taxes resulting from the adjustment are also eliminated.

Adjusted Group earnings from continued operations fell by € 101.0 million or just under 19% to € 437.1 million (2012: € 538.1 million). The main reason for this was the declining operating earnings. The adjusted Group tax rate was 24.6% in the year under review, after having been 25.8% in the previous year. This decrease was especially due to a higher deferred tax income compared to the previous year.

Group earnings (including discontinued operations) reached € 412.8 million (2012: € 665.3 million). Adjusted Group earnings amounted to € 434.8 million (2012: € 637.4 million). In the previous year, € 100.0 million was still attributable to discontinued operations of the Nitrogen business.

**CAPITAL EXPENDITURE INCREASED**

In 2013, the K+S Group invested € 742.5 million, representing an increase of € 277.0 million or 60%. Of this, € 362.0 million was accounted for by investments under our Legacy Project in Canada. In addition, the increase is attributable to the implementation of the package of measures on water protection in the Hesse-Thuringia potash district and the construction of the saline wastewater pipeline from the Neuhof site to the Werra plant. At the end of the year, there were capital expenditure obligations totalling € 382.4 million, which relate to as yet uncompleted investment undertakings from 2013.

Adjusted Group earnings after taxes should follow the trend in operating earnings and thus also be significantly lower than in the previous year (2013: € 434.8 million).

The K+S Group’s anticipated volume of capital expenditure for 2014 amounts to about € 1.2 billion. Outlays connected with the Legacy Project should account for about € 800 million of this figure. Part of the capital expenditure is also intended for the implementation of the package of measures on water protection in the Hesse-Thuringia potash district.

**REVENUES AND EARNINGS FORECAST**

The revenues of the K+S Group for financial year 2014 should be moderately below the figure of the previous year (2013: € 3,950.4 million). In particular, the revenues in the Potash and Magnesium Products business unit should, on account of the expectation of lower annual average prices, be tangibly down (2013: € 2,037.6 million).

To make sustainable improvements to cost and organisational structures, K+S is implementing the “Fit for the Future” programme with the aim of increasing efficiency of the production as well as of administrative and sales functions. The Company is striving to save a total of about € 500 million over the next three years in comparison to the previous cost planning for the same period. In 2014, a cost reduction of a good € 150 million compared with the previous planning is to be achieved. Due to the revenue decrease in the Potash and Magnesium Products business unit, operating earnings EBITDA and EBIT I of the K+S Group should be significantly lower than a year ago (2013: € 907.2 million and € 655.9 million, respectively).
Due to the deposits of the Potash and Magnesium Products and Salt business units, our production sites are located in Europe (particularly in Germany), South America, the United States and in Canada. With our efficient distribution network close to customers, we are active all over the world. / FIG: 1.4.1 – 1.4.3
**OUR SITES IN EUROPE**

- **France**
  - 18 Reims
  - 19 Wittenheim
  - 20 Le Teil
  - 21 Sainte Radegonde
  - 22 Levallois-Perret
  - 23 Dombasle

- **Italy**
  - 24 Verona

- **Spain**
  - 25 Barcelona
  - 26 Torrelavega

- **Portugal**
  - 27 Alverca
  - 28 Olhão

- **Switzerland**
  - 29 Frauenkappelen
  - 30 Delémont

- **Netherlands**
  - 31 Breda
  - 32 Harlingen

- **Belgium**
  - 33 Brussels

- **Great Britain**
  - 34 Hertford

- **Sweden**
  - 35 Gothenburg

- **Czech Republic**
  - 36 Prague
  - 37 Olomouc

- **Poland**
  - 38 Poznan

---

1 Multi-unit companies
North America
USA
39 New York
40 Clarks Summit
41 Newark
42 Long Beach
43 Grantsville
44 Glendale
45 Grand Saline
46 Hutchinson
47 Weeks Island
48 St. Paul
49 Chicago
50 Port Canaveral
51 Cincinnati
52 Rittman
53 Manistee
54 Fairport
55 Silver Springs
56 Perth Amboy
Canada
57 Windsor
58 Lindbergh
59 Regina
60 Legacy Projekt (near Moose Jaw)
61 Saskatoon
62 Ojibway
63 Mines Seleline
64 Pugwash
65 Montreal

South America
The Bahamas
66 Inagua
Brazil
67 Rio de Janeiro
68 São Paulo
69 Natal
70 Galinhos
71 Rio Grande
Chile
72 Santiago de Chile
73 Tarapacá-Desert / Patillos
74 San Antonio
75 Talcahuano
76 Puerto Montt
Peru
77 Lima
Asia
Singapore
78 Singapore
China
79 Shenzhen
India
80 New Delhi

FIG: 1.4.3
THE K+S GROUP
BROADENING PROSPECTS

AS A COMMODITIES COMPANY, WE THINK AND ACT LONG-TERM / Relevant megatrends defined / Decision on Sustainability Roadmap / Systematic approach to stakeholder dialogue

2

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<th>Section</th>
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<td>2.2 Megatrends</td>
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<td>2.3 Strategic Roadmap for Sustainability</td>
<td>28</td>
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<td>2.4 Stakeholder Dialogue</td>
<td>30</td>
</tr>
<tr>
<td>2.5 Commitment and Ratings</td>
<td>32</td>
</tr>
</tbody>
</table>
2.1 BASES AND STRATEGY

As a commodities company, we must think and act in long terms. For us, sustainable development means fitness for the future. We will only be economically successful in the long term if, in our corporate actions, which are aimed at achieving sustainable economic success, we also take ecological and social aspects into consideration appropriately. An early and systematic identification and evaluation of these matters and social trends as well as their inclusion in our management processes help us to boost our current business, seize new business opportunities and minimise risks. Sustainability is a continuous process permanently accompanying K+S and those associated with us. We are convinced that sustainable corporate governance pays off: It opens up opportunities, avoids risks and makes an important contribution to the Company’s successful further development.

Our business is based on the efficient extraction of the raw materials potassium, magnesium and salt. We bring to use that which we mine from the earth and what our modern developed industrial society urgently needs. We express this in our vision:

A SOURCE OF GROWTH AND LIFE THROUGH NUTRIENTS AND MINERALS.

CORE VALUES AND PRINCIPLES

Our core values and principles have for a long time provided the framework for our conduct and our decisions. They were revised last year and are now binding on all employees of the K+S Group in the form of a guideline.

SUSTAINABILITY

+ We know that a sustainable successful economy is based not only on rules and laws, but also requires people’s basic trust. In order to achieve our principal goal, which is sustainable economic success, we also consider the connected ecological and social aspects of our activities.
+ We act upon opportunities which arise while handling risks with care.

INTEGRITY

+ We support the compliance with internationally recognised human rights and act in accordance with the laws of the countries in which we operate. We reject any form of forced and child labour.
+ We respect free competition. We do not tolerate any form of corruption. We avoid conflicts of interest, and protect company property against any misuse. We respect trade union freedom of association and the right to engage in collective wage bargaining.

RESPECT, FAIRNESS AND TRUST

+ We treat our business partners, employees and other stakeholders with respect and fairness. Providing an environment of equal opportunities and rejecting of any kind of discrimination is a matter of course for us. We create a workplace atmosphere that facilitates the open exchange of ideas and an approach to dealing with one another characterised by confidence.

COMPETENCE AND CREATIVITY

+ We take actions to maintain and increase specialist competencies, commitment and motivation of our employees. We encourage our employees to contribute their creativity to the success of the Company. We reward our employees in line with the market and in relation to performance on the basis of salary structures which are oriented towards economic success.
+ As a global company, we recognize that intercultural competence is an important factor of our continued success. We develop intercultural competences in a targeted way.

TRANSPARENCY

+ We provide our employees, shareholders, the capital market, the media and other stakeholders with comprehensive, truthful and intelligible information.
Against this background, the Board of Executive Directors revised the mission of the K+S Group in 2013 and clarified its content as follows. For us the economic aspect comes first – knowing well that economic, ecological and social objectives are mutually dependent and that one may decide on the success of the other.

**OUR MISSION**
Bearing in mind our core values and principles, and to implement our vision, we want:
+ to attain sustainable economic success while remaining focused on the social and ecological aspects that are tied to our business model,
+ to mine and process raw materials while using our products and services to improve nutrition, health, and quality of life,
+ to achieve a leading position in the markets we serve,
+ to be the “go-to” partner for our customers,
+ to strengthen our raw material and production base and expand it globally,
+ to increase added value by developing new products and more efficient processes,
+ to be recognised as an attractive employer for employees all over the world.

**GROWTH STRATEGY**
We consistently pursue our two-pillar strategy. With the purchase of Potash One and Morton Salt as well as the divestment of Compo and K+S Nitrogen, we have focussed our management resources and financial means on the Potash and Magnesium Products as well as Salt business units over the past few years. Our goal is to continue growing in both pillars.

**DIFFERENTIATION AND SUSTAINABLE MARGIN GROWTH THROUGH SPECIALISATION**
The K+S Group aims to consolidate and expand market positions in its strategic business units, in particular through marketing its diverse speciality products. The refinement strategy makes it possible to achieve higher margins in the Potash and Magnesium Products and Salt business units and a business that is more resilient to market fluctuations.

**INCREASING EFFICIENCY AND EXPLOITING SYNERGIES**
With regard to the competitiveness of the Potash and Magnesium Products and Salt business units, the cost position is a key success factor. Our focus in this regard is on the consistent pursuit of cost-cutting and flexibilisation initiatives throughout the process chains. For this reason, 2013 saw us launch the “Fit for the Future” programme, which is to make a lasting contribution to improving our cost and organisational structures. Our goal is to achieve cost savings of the order of € 500 million in total by 2016 on the current budget for the period in question. K+S expects to reduce costs by a good € 150 million in 2014. In this regard, the optimisation of the international production network as well as the associated volume flows and logistics costs will play an important role. The broadly comparable mining processes make the realisation of synergies between the Potash and Magnesium Products and Salt business units possible in the exchange of technical, geological and logistics know-how as well as economies of scale in the procurement of machines and auxiliary materials.

**EXPANSION OF A BALANCED REGIONAL PORTFOLIO**
Worldwide, both potash and salt markets are characterised by seasonal and regional fluctuations in demand. The strategy of the K+S Group is aimed at a balanced regional portfolio, which makes a balance of weather-related fluctuations and a cushioning of cyclical market trends possible.

**SETTING OF STANDARDS FOR QUALITY, RELIABILITY AND SERVICE**
The goal of the K+S Group is to be its customers’ preferred partner in the market. High product quality and consistent customer orientation are decisive preconditions for this. In addition to the specialisation strategy, better and innovative services are promoted. Individual
advice to customers makes it possible to identify needs-based solutions.

**STRATEGIC DIRECTION OF THE BUSINESS UNITS**

With the Potash and Magnesium Products and Salt business units, the K+S GROUP has two complementary areas, linked by synergies in many parts of the value added chain, with attractive growth prospects at its disposal.

In addition to organic growth, we also strive to achieve growth via acquisitions and cooperation in the established business units.

### 2.2 MEGATRENDS

We define those trends megatrends which are stable and long-term, i.e. lasting at least 25 years, and which have an impact on the economic, social and ecological environment. The effects of megatrends are tangible worldwide, even if their magnitude and forms differ regionally.

We observe, analyse and assess these megatrends with the aim of promoting a group-wide understanding of relevant developments and aligning them with our economic objectives: Which megatrends shape global developments? How do changed political and social conditions affect our Company?

In a first step, megatrends are defined and classified. Relevant sub-trends and possible consequences for the Company are then deduced to identify opportunities and risks. In addition, the expectations of our stakeholders and our sphere of influence will be analysed. In the process, we consider both direct and indirect effects on K+S, in order to gain a comprehensive view, where the company stands with regard to current trends. K+S has identified five megatrends:

### DEMOGRAPHIC CHANGE

The United Nations expect the world’s population to increase to 9.6 billion people by 2050. In industrial societies, the percentage of people over the age of 60 will almost double by then and will constitute about 45% of the population. People are becoming more and more mobile, albeit to varying extents, and urbanisation is increasing.

### SCARCITY OF RESOURCES

We expect increasing competition for scarce resources in the future. There is a growing global demand for energy, so conflicts will become more probable. The demand for food and feed as well as fuels will increase as a result of population growth, while at the same time there will be less land available under cultivation. The demand for water will also more than double by 2030. About half the world’s population will live in regions where water is scarce.

### GLOBALISATION

Increasing globalisation is changing the balance of power. With their economic but also political weight, so-called emerging markets will exert more and more influence on the structures of the global community. In the wake of globalisation, both international trade and cooperation are growing to varying extents, with the BRIC countries (Brazil, Russia, India and China) continuing to gain influence.

### CLIMATE CHANGE

The Intergovernmental Panel on Climate Change (IPCC) summarises the current status of worldwide climate research by stating that the global average temperature on the Earth’s surface has increased since the beginning of industrialisation. This observation is attributed to the increasing emissions of greenhouse gases human activities. Consequences and coping mechanisms are discussed on a political level in various contexts – nationally, regionally and globally.
**INNOVATION CYCLES**

Innovation cycles succeed each other ever more quickly and have far-reaching consequences. Technological and social trends on a large scale and with great intensity will also affect our business.

**2.3 STRATEGIC ROADMAP FOR SUSTAINABILITY**

At K+S, an inter-business unit and interdisciplinary sustainability committee has been meeting regularly since 2012. It is dedicated to the early, systematic identification and prioritisation of sustainability matters and initiatives. Many aspects of sustainability are integrated into the core business of K+S across business units and departments. In our sustainability management, we carry out tasks in line with our core values and principles and draw up recommendations and decision papers for the Board of Executive Directors.

Building on the approaches developed in previous years, in July 2013, the Board of Executive Directors decided on a sustainability roadmap. This roadmap is a specific work programme for the Company and defines, in nine consecutive steps, how material issues are identified and assessed in a systematic process in accordance with our sustainability strategy. We thus filter out what is feasible so as to then focus resources and capacities on the essentials. The sustainability committee commenced the work of preparing a solid decision-making basis for the Board of Executive Directors.

The roadmap is a tool for identifying a viable way in the broad field of sustainability, which is characterised by complexity and conflicts of interests. In an ever more complex world where changes occur in increasingly rapid sequences and are accompanied by partially global consequences, confronting and handling sustainability issues thus poses a challenge which also offers opportunities. Over a long period of time, risks – if they are well managed – can turn out to be opportunities. Presumed opportunities can become risks if the interdependencies are not recognised in good time. Seen as a process, it is nevertheless necessary to review the assumption made for a given situation at regular intervals and, if need be, to modify it. Sustainability therefore strengthens openness to change and thus provides opportunities to broaden the corporate perspective. / FIG: 2.3.1

**NINE STEPS TO SUSTAINABILITY**

1. **DEFINITION OF VALUE CHAINS**

To ensure that sustainability is integrated into the core business, the sustainability committee defined and described the value chains both for the individual business units and also in an aggregated form for the K+S GROUP. The value chain illustrates the business model of the K+S GROUP in six steps – exploration, mining, production, logistics, sale/marketing and use/application (see page 35).

2. **IDENTIFICATION OF ISSUES IN THE SUSTAINABILITY LANDSCAPE**

In the second step, a “map of sustainability issues” is created. Sustainability is not arbitrary, but concentrates on issues which are at the interface between the Company and the environment. These issues are relevant for the economic success of a company and have effects on the environment or society. Here, we consider the applicable internationally recognised guidelines and policies for sustainability management in companies: United Nations Global Compact, OECD guidelines for Multinational Enterprises, ISO 26000 (Guideline on social responsibility) and the Global Reporting Initiative.

3. **LOCATING SUSTAINABILITY ISSUES IN THE VALUE CHAIN**

In the next step, both elements are brought together: Sustainable corporate governance is no additional activity, but the way to run our business successfully. We specifically deal with individual issues in order to understand whether, where and how they might be connected with our value chains. Representatives of the business units and experts discuss in order to arrive at a joint understanding of the connections. In doing so, we consider potentially positive as well as negative effects of individ-
2.3 Strategic roadmap for sustainability

FIG. 2.3.1

<table>
<thead>
<tr>
<th>Sustainability Roadmap</th>
<th>1. Definition of value chains</th>
<th>2. Identification of issues in the sustainability landscape</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3. Locating sustainability issues in the value chain</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Internal perspective: The view of K+S</td>
<td>5. External perspective: The view of the stakeholders</td>
</tr>
<tr>
<td></td>
<td>6. Materiality analysis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7. Gap and performance analysis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>8. Preparation of submittals for the Board of Executive Directors</td>
<td>9. Decision of the Board of Executive Directors</td>
</tr>
<tr>
<td></td>
<td>Implementation</td>
<td></td>
</tr>
</tbody>
</table>

4. INTERNAL PERSPECTIVE: THE VIEW OF K+S

In the fourth step, we assess the relevant issues: What significance is attached to the various aspects from an internal perspective? Here we consider both legal requirements and internal regulations.

5. EXTERNAL PERSPECTIVE: THE VIEW OF THE STAKEHOLDERS

In the fifth step, the perspectives of the various stakeholder groups are identified, collated and evaluated. We know that a company can only be economically successful on a lasting basis if it focuses on more than just itself. It must also look to the right and the left and, above all, ahead. This involves a licence to operate, i.e. the general public’s acceptance of corporate action.

6. MATERIALITY ANALYSIS

In step six, the issues are summarised in a materiality analysis in order to illustrate which are regarded as material for the K+S Group from an internal and an external perspective.

7. GAP AND PERFORMANCE ANALYSIS

Step seven consists of a gap and performance analysis. In the former, the focus is on the management systems: What (internal) regulations exist and how is the issue anchored in the Company in terms of personnel and procedures? Furthermore, enquiries are made about the parameters by which the issues are internally controlled and ultimately reported. In the second analysis, the focus lays on the performance level achieved in particular issue areas, in other words what are the objectives and their degree of attainment.

8. PREPARATION OF SUBMITTALS FOR THE BOARD OF EXECUTIVE DIRECTORS: K+S SUSTAINABILITY PERSPECTIVE

The sustainability committee considers the results of the analysis, interprets them and prepares a recommendation for the Board of Executive Directors concerning fields of action with targets, budgets and time frames.
In previous years, the common understanding of sustainability changed and became further differentiated. The point is to take account of the impact of corporate actions on the environment. Apart from governments and civil society groups, companies are among the actors of global governance. In other words they are part of a continuous process in which different interests are negotiated and cooperation can be agreed. Companies help shape debates and decisions and are influenced by them. Sustainability depends on exchange transcending borders. Sustainability is manifested locally, on site, yet the issues are often global ones.

The dialogue with our partners plays an important role. In accordance with our values and principles, we want to strengthen mutual trust for transparent and sustainable relationships. Dialogue is important to understand the concerns of others, to constantly review our operations and, if necessary, to develop alternative solutions – but also to make our positions and points of view clear.

With dialogue, the quality and credibility of opinion-forming processes increases. The greater acceptance of decisions and actions helps to prevent conflicts. Internally too, the orderly approach to stakeholder commitment can extend perspectives and help to pool resources. We develop systematic ways to engage as well as measures and can transfer successful models to other areas. / TABLE 2.4.1

SELECTED STAKEHOLDER DIALOGUES:

EMPLOYEES
Our corporate success is based on our competent and high-performing employees. Exchange with and engagement of them are therefore particularly important. Two action fields were derived from the 2012 employee survey results, strengthened communication and personnel development (see page 69).

CUSTOMERS
We maintain an active dialogue with our customers in order to get to know their needs and to illustrate the benefit of our products and services. Apart from satisfaction analyses, personal talks and complaints statistics provide us with specific starting points for further improvements. In addition – based on the megatrend analyses – emerging customer requirements should be recognised, to review our range of services at an early stage for its future viability.

INVESTORS/ANALYSTS
In the past year too, we have responded to the ever greater need for information on the part of the capital market by participating in numerous road shows and conferences. We held investor meetings in Europe, North America, Asia and Australia. We also organised numerous one-on-one meetings and conference calls. We intensified our contact with private shareholders through participation in share forums in Germany. The aim of our Investor Relations work is transparent and fair financial communication with all market participants. We want to provide comprehensive, fast and optimally objective information about our strategy as well as about all events relevant to the capital markets that concern the K+S GROUP. / WEITERE INFORMATIONEN finden Sie im Finanzbericht auf Seite 23

TRADE UNIONS
In the K+S GROUP, the relationship between the Company and the works councils as well as with the trade unions is marked by long-standing cooperation built on trust (see page 81).

STATE/ADMINISTRATION
At national and international levels, we take part in dialogue with authorities, governments and deputies and, for example, follow closely the development of laws through memberships in associations, such as the GERMAN ASSOCIATION OF THE POTASH AND SALT INDUSTRY, the BDI, EUROMINES and EUSALT.
Good-neighbourhood with the communities near our sites is very important to us. That is why we maintain an open, constructive dialogue with holders of public office at communal and federal state levels and are in exchange with citizens’ initiatives. We take the concerns of individual stakeholders seriously and make an effort to come up with viable solutions. Thus, for example, the public and political discussion about the discharge of saline waste water into the Werra led to the creation of the Round Table for “Water Protection Werra/Weser and Potash Production”. It was called into being by K+S together with the federal states of Thuringia and Hesse. Its main task is the development of sustainable solution proposals to improve the water quality in the Werra and Weser (see page 63).

For further information please see www.runder-tisch-werra.de

### Media

Our cooperation with media representatives is aimed at sending a credible message about the K+S Group. We want to increase confidence in the Company’s corporate actions through transparent communication. We make use of various channels to do so – such as press conferences, interviews and press releases. We also offer journalists the possibility of on-site reporting and background discussions. Our communication is active, clear and fast. We regularly review the means of communication employed and develop them further if need be. We also evaluate media reporting on an ongoing basis and

---

### Overview Stakeholder Dialogue

#### Table 2.4.1

<table>
<thead>
<tr>
<th>WHO</th>
<th>WHAT</th>
<th>Guiding Corporate Principle</th>
<th>HOW</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees</strong></td>
<td>Employee integration, Employee development</td>
<td>Integrity, Competence and creativity, Transparency, Respect, fairness and trust</td>
<td>Works meetings, Ideas management, Employee survey, Agreements on objectives, Support programmes</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>Customer benefits, exchange and Quality assurance</td>
<td>Sustainability</td>
<td>Application consulting, Satisfaction analyses, Auditing</td>
</tr>
<tr>
<td><strong>Suppliers</strong></td>
<td>Quality assurance, Production conditions</td>
<td>Respect, fairness and trust, Integrity</td>
<td>Supplier management</td>
</tr>
<tr>
<td><strong>Investors, Analysts, Rating agencies</strong></td>
<td>Due diligence</td>
<td>Sustainability, transparency</td>
<td>Financial publications, Annual General Meeting, IR website, Investor conferences, One-on-one meetings</td>
</tr>
<tr>
<td><strong>Trade unions</strong></td>
<td>Collective pay agreements and contracts</td>
<td>Respect, fairness and trust, Integrity</td>
<td>Collective pay negotiations, Supervisory Board meetings</td>
</tr>
<tr>
<td><strong>State/administration</strong></td>
<td>Approval processes, Framework conditions, Infrastructure questions, Socio-economic effects etc.</td>
<td>Integrity, Transparency, Sustainability</td>
<td>Approval processes, Formalised discussions, Bilateral discussions</td>
</tr>
<tr>
<td><strong>Residents/citizens</strong></td>
<td>Environmental protection, Jobs, Involvement in respective regions, Infrastructure</td>
<td>Respect, fairness and trust, Integrity, Sustainability</td>
<td>Public meetings, Hotline service (&quot;Bürgertelefon&quot;), Donations and sponsoring</td>
</tr>
<tr>
<td><strong>Civil society organisations (NGOs, associations, unions)</strong></td>
<td>Growth, Environmental protection, Sustainability</td>
<td>Respect, fairness and trust, Sustainability</td>
<td>Round Table, Information events, Plant tours</td>
</tr>
<tr>
<td><strong>Media</strong></td>
<td>Regular and ad hoc information and specific occasions</td>
<td>Transparency</td>
<td>Press releases, Press conferences, Interviews, Reporting, Background discussions</td>
</tr>
<tr>
<td><strong>Research institutions, Universities, Cooperations</strong></td>
<td>Practice-orientated research, Quality assurance, Promotion of new talent</td>
<td>Competence and creativity</td>
<td>Research cooperations, Jointly organised symposia, Training fairs</td>
</tr>
</tbody>
</table>
analyse the image the media and the public have of us, so as to implement appropriate communication measures.

2.5 COMMITMENT AND RATINGS

DONATIONS AND SPONSORING

We support selected projects, particularly in the areas of education, social matters and culture. We therefore also like to increase the attractiveness of the regions in which we are active.

We donate for scientific, charitable and non-profit-making purposes in compliance with applicable laws and our internal regulations. The offering or granting sums of money in connection with business or official decisions is prohibited. K+S does not make donations in the form of money, material values or services to political parties, organisations or persons close to or related to them. In 2013, K+S donated almost one million euros.

EXAMPLES OF PROJECTS:
+ Promoting Grimm World in Kassel – a newly constructed museum devoted to the diverse activities of the Brothers Grimm.
+ Supporting the Bad Hersfeld Festival, the Kassel State Theatre and the Kassel Music Days.
+ Donation in kind of 2,000 big bags and 90,000 sacks to support flood protection in Germany in summer 2013.
+ K+S POTASH CANADA promotes the INTERNATIONAL MINERALS INNOVATION INSTITUTE Saskatchewan.
+ MORTON SALT and WINDSOR SALT are supporting in “United Way”, an organisation which supports socially disadvantaged families.
+ K+S道士 ALt and windsor道士 are supporting in “United Way”, an organisation which supports socially disadvantaged families.
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MEMBERSHIPS

K+S is a member of numerous associations as well as national and international representations of interests. The exchange of views in committees and the drafting of positions is part of our stakeholder dialogue, in order to strengthen mutual trust for transparent and sustainable relationships, in accordance with our core values and principles. In the following selected associations a representative of our company exercises a leading function, sits on committees or is taking part in projects.
+ Association des Producteurs Européens de Potasse (APEP)
+ Bundesverband der Deutschen Industrie (BDI)
+ Euromines European Association of Mining Industries, Metal Ores & Industrial Minerals
+ European Salt Producers’ Association (EUSALT)
+ Fördergemeinschaft Nachhaltige Landwirtschaft (FNL)
+ Förderverein Runder Tisch “Gewässerschutz Werra/Weser und Kaliproduktion e.V.” (Round Table “Water Protection Werra/Weser and Potash Production” Association)
+ International Fertilizer Industry Association (IFA)
+ International Plant Nutrition Institute (IPNI)
+ Industrieverband Agrar (IVA)
+ Salt Institute
+ Sulphate of Potash Information Board (SOPIB)
+ Verband der Kali- und Salzindustrie (vKS)
+ Wittenberg-Zentrum für Globale Ethik e.V.

RATINGS

Our activities in the area of sustainability are assessed independently as follows:
+ Good Company Ranking 2013. In the employees category, K+S made it to first place.
+ Carbon Disclosure Project: In 2013, K+S achieved a score of 83 out of 100 assessment points in Climate Disclosure. The Climate Disclosure scoring reflects the completeness and quality of the reporting. In the Climate Performance band, K+S was graded as Level D (A to E, A = highest assessment). This assessment reflects the performance of the Company in climate protection.
+ Sustainalytics: In the current profile, K+S has improved to 55th place (2012: 58th).
+ MORTON SALT received the “America’s Safest Companies” award by the magazine EHS TODAY.
CREATING VALUES

SUSTAINABLE CORPORATE GOVERNANCE MEANS RUNNING THE CORE BUSINESS SUCCESSFULLY / Value chain illustrates business model in six steps / High product quality and reliability / Research and Development increases customer benefit / Advisory service as key element in agricultural sector
Sustainable corporate governance means, for K+S, running the core business successfully: in a way that is profit-oriented and, as far as possible, environmentally friendly and socially acceptable. Raw materials are the basis for our modern society; they secure our living standard and serve to fulfil our basic needs. They are among the most important location factors of a thriving economy.

The value chain illustrates our business model in six steps: exploration, mining, production, logistics, sales/marketing and application. / FIG: 3.1.1

**Exploration**

Our potash and salt deposits came into being millions of years ago. They are either our property or we have corresponding rights or approvals that allow the extraction or solution mining of the raw material reserves. We plan and operate production facilities over the entire life cycle from the exploration phase to closure and beyond. To secure the raw materials base, K+S is continuously examining which deposits could be suitable for developing additional production capacities.

Legacy is our greenfield project to establish a potash production plant in the south of the Canadian province of Saskatchewan. The plant is planned to go into operation in summer 2016 (see page 13).

The examination of other deposits also covers German potash deposits. We have examined the technological, economic and market aspects of a possible reopening of our disused Siegfried-Giesen mine in a comprehensive feasibility study. Under the framework conditions of that time, the project was assessed as being basically promising. In the coming years, the permits necessary for a possible resumption of extraction are to be obtained. On the basis of the economic and market framework conditions finally to be examined once more, K+S can then make an investment decision.
MINING

Our raw material deposits, reserves and resources are located in Germany, the Netherlands, Brazil, the Bahamas, Chile, the United States and Canada.

We extract raw materials in conventional mining above and below ground as well as through solution mining. We also use the power of the sun and extract salt by evaporating sea water or saline water. During mining underground, the crude salt is generally mined by means of drilling and blasting. Huge shovel loaders with a shovel load of up to 20 tonnes then transport the crude salt to the crushing plants. From there, the pre-crushed salt is brought to the extraction shaft by conveyor belts. In this manner, we obtain potassium chloride (KCl) and magnesium sulphate/kieserite in six mines in Germany as well as rock salt in three mines in Germany, the United States and Canada.

In Chile, we extract rock salt in Salar Grande de Tarapacá by means of open-cast mining. We also extract sea salt and solar salt in Brazil, the Bahamas and at the Great Salt Lake in Utah/USA. Moreover, in the Netherlands and in Germany we operate one brine plant each for the extraction of evaporated salt (see page 60).

In the Legacy Project, we will for the first time operate potash production on the basis of solution mining.

PRODUCTION

The refining of raw materials is one of our core competencies. Above ground, the crude salt is processed in complex, multi-phase, mechanical or physical processes, with the natural properties of the mineral remaining unchanged.

In addition to potassium (13 to 27% potassium chloride), our potash deposits also contain magnesium and sulphur (11 to 27% magnesium sulphate). Depending on the quality of the crude salt, for the refinement we use processes such as thermal dissolution, flotation and, in combination with these two, electrostatic separation (ESTA process).

Throughout the world, potash production is inseparably associated with the necessity of disposing of residues. Residues from production arise either in solid form or as liquid residues (saline wastewater). We either heap up solid residues, which mainly consist of currently non-recyclable rock salt, or we return them to underground caverns (backfill). In accordance with existing permits, we dispose of production residues dissolved in water and the saline waters arising due to precipitation onto our tailing piles by discharging them into flowing waters and by injecting them into deeper layers of rock known as plate dolomite (Leine Carbonate).

Rock salt mined is ground into the desired grain size above ground. Evaporated salt arises when the water of the brine is vaporised and thereby the salt dissolved is extracted.

If the sea water or salt water is fed into evaporation basins which are arranged one behind the other at a slope, the salt is concentrated more and more strongly in the water on its way through the basins until finally a layer of salt several centimetres thick can be harvested.

LOGISTICS

In 2013, the K+S GROUP moved a transport volume of 54.4 million tonnes. The long-term securing of freight capacity is of strategic importance to us. A large part of our international transport volume is forwarded by service providers with which we maintain long-standing partnerships. With K+S TRANSPORT GMBH in Hamburg, which operates the Company’s own “Kalikai”, as well as the Chilean EMPREMAR, we have our own two logistics service providers. In order to supply our customers cost-effectively, efficiently and punctually, we select the most suitable carrier for a particular stage of a journey: truck, rail or inland waterway, and, for long distances, vessels (see page 52).

SALES/MARKETING

The K+S GROUP wants to be its customers’ preferred partner in the market. High product quality and reli-
ability are decisive preconditions for this. K+S offers a comprehensive range of goods and services for agriculture, industry and private consumers. Our distinguishing marks are proximity to our customers and tailor-made products. With our efficient distribution network close to customers, we are active all over the world (see page 21).

**APPLICATION**

As a commodities company, K+S is at the beginning of long value added chains. The Potash and Magnesium Products business unit offers its customers fertilizers, products for industrial applications, high-purity potassium and magnesium salts for the pharmaceutical, cosmetics and food industries as well as elements for the production of feed. In the Salt business unit, food grade salt, industrial salt, salt for chemical use and de-icing salts are produced, which are all based on sodium chloride (common salt) (see page 40). Our customers apply our products, use our raw materials in their processes or process them in their products. We make extensive product information available and advise our customers on the application of our products. Expert consultancy is a key element of K+S’s range of services above all in the agricultural sector (see page 49). We make technical application advice available for industrial products and industrial salts.

**VALUE ADDED STATEMENT**

The value added statement presents the difference between the economic performance rendered by a company and the value of the necessary input. In the allocation statement, the share of the participants in the value added process – employees, company, lenders, shareholders and the public sector – is disclosed.

In 2013, the value added of the K+S GROUP amounted to € 1,613.1 million (previous year: € 1,761.7 million). Of this, the biggest part of approximately € 968.3 million was accounted for by our employees in the form of wages and salaries, social security contributions and expenses for pension plans. The public sector’s share was € 142.0 million, and that of lenders was € 65.7 million. The accumulated profit came to € 437.1 million. / TAB: 3.1.1, 3.1.2

**VALUE ADDED – CALCULATION**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>3,950.4</td>
<td>3,935.3</td>
</tr>
<tr>
<td>Business performance</td>
<td>3,989.5</td>
<td>4,121.3</td>
</tr>
<tr>
<td>Less aggregate of expenditures²</td>
<td>2,124.9</td>
<td>2,130.4</td>
</tr>
<tr>
<td>Less depreciation and amortisation</td>
<td>251.5</td>
<td>229.2</td>
</tr>
<tr>
<td>Value added adjusted</td>
<td>1,613.1</td>
<td>1,761.7</td>
</tr>
</tbody>
</table>

¹ From continued operations. ² Adjusted for the effect of the market value changes from hedging transactions.

**VALUE ADDED – ALLOCATION**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>968.3</td>
<td>986.1</td>
</tr>
<tr>
<td>Public sector²</td>
<td>142.0</td>
<td>186.7</td>
</tr>
<tr>
<td>Lenders</td>
<td>65.7</td>
<td>51.8</td>
</tr>
<tr>
<td>Accumulated profit</td>
<td>437.1</td>
<td>538.1</td>
</tr>
<tr>
<td>Value added adjusted</td>
<td>1,613.1</td>
<td>1,761.7</td>
</tr>
</tbody>
</table>

¹ From continued operations. ² Adjusted for the deferred tax amount on the market value effect from hedging transactions.

**3.2 CORPORATE GOVERNANCE**

K+S pursues the goal of responsible and transparent corporate governance and control, oriented towards the creation of long-term value. This principle forms the basis of our internal decision-making and control processes. / DECLARATION OF CONFORMITY in accordance with German Corporate Governance Code: Please see Financial Report page 25.
GOVERNING BODIES OF THE COMPANY

The governing bodies of the Company are the Annual General Meeting, the Board of Executive Directors and the Supervisory Board. The powers vested in these bodies are governed by the German Stock Corporation Act, the Articles of Association and the bylaws of the Board of Executive Directors and the Supervisory Board.

The shareholders assert their rights at the Annual General Meeting and decide on fundamental matters affecting K+S Aktiengesellschaft by exercising their voting rights. Each share carries one vote (one share, one vote principle).

The Board of Executive Directors manages the Company at its own responsibility in accordance with the law, the Articles of Association and its bylaws, taking into account the resolutions adopted by the Annual General Meeting. The Board of Executive Directors represents the Company in its dealings with third parties. The number of members is determined by the Supervisory Board. At the end of 2013, the Board of Executive Directors consisted of six members.

It currently consists of 16 members and is subject to codetermination in accordance with the German Co-Determination Act (Mitbestimmungsgesetz). The Supervisory Board members are thus elected as representatives of the shareholders by the Annual General Meeting and as employee representatives by the employees of the K+S Group in Germany on a 50-percent basis. An election is held every five years. The Supervisory Board oversees and advises the Board of Executive Directors in connection with the carrying on of business. It is involved in all decisions of fundamental importance in sufficient time and appropriately.

INTERNAL CONTROL SYSTEM

The main instrument of the Board of Executive Directors for the exercise of its managerial responsibility and its duty of supervision is the internal control system (ICS). The ICS includes principles, regulations, measures and procedures, which are oriented towards the organisational preparation and implementation of management decisions. It consists of the components “internal control system” and “internal monitoring system” and is reviewed on a regular basis.

Control of the K+S Group is exercised through regular discussions between the Board of Executive Directors and the corporate departments. Meetings of the Board of Executive Directors take place on a regular basis every two weeks. The starting point for the management of the Group as a whole and the corporate departments are the targets of the Board of Executive Directors, which are derived from the vision and overall strategy of the K+S Group. An essential instrument for the implementation of the goals and targets is the totality of internal regulations of the K+S Group.

A number of controlling instruments are available to the management. Furthermore, the risk and compliance management system as well as the internal audit are important elements of the internal control system.

The internal monitoring system is intended to ensure attainment of the planned corporate goals and compliance with the rules of the internal control system. It consists of process-integrated as well as process-independent monitoring measures.

COMPLIANCE

Our compliance system creates the organisational prerequisites for applicable law, our internal regulations, and the regulatory standards recognised by the Company to be known throughout the Group and for compliance with them to be monitored. We thus want not only to avoid the risks of liability, culpability and fines as well as other financial disadvantages for the Company, but also ensure a positive reputation for the Company, its corporate bodies and employees in the public eye. We regard it as a matter of course that breaches of compliance are pursued and punished.

The Board of Executive Directors has entrusted a chief compliance officer, who reports directly to the chairman of the Board of Executive Directors, with coordinating and documenting a group-wide compliance system. He heads the central compliance committee to which
the compliance representatives as well as the heads of departments of K+S AG belong, who perform compliance-relevant tasks (e. g. internal audit, legal affairs, personnel, environmental protection, occupational safety, quality management).

Every employee is made familiar with these core values and principles (see page 25) that apply throughout the Group, as well as with the Company guidelines derived from them. Obligatory training sessions for potentially affected employees are held in relation to specific issues (e. g. anti-trust law, anti-corruption measures, money laundering and terrorism financing, environmental protection, work safety). The employees have the possibility of seeking advice internally in compliance-related matters. Moreover, we have set up external hotlines (ombudspersons) for the notification of compliance breaches, anonymously if desired.

3.3 PRODUCT RESPONSIBILITY

We mine and process high-quality mineral raw materials, and with our products we make an important contribution to improving nutrition, health and the quality of life of the world’s population. Our objective is to be the preferred partner of our customers. High product quality and reliability are important preconditions for this. We constantly assess our products for possible risks to health and safety and for their environmental friendliness, and ensure that they are safe for mankind and nature when they are used responsibly and properly.

**POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT**

**POTASSIUM CHLORIDE – A PLANT NUTRIENT WITH UNIVERSAL AREAS OF APPLICATION**

Potassium chloride is our top-selling product. The plant nutrient is used globally for major crops such as cereals, corn, rice, and soy beans. Potassium chloride granulate is either spread on fields with fertilizer spreaders or mixed in bulk blenders with other straight fertilizers. We sell fine-grain potassium chloride as a raw material to the complex fertilizers industry.

**FERTILIZER SPECIALITIES ARE SUITABLE FOR SENSITIVE CROPS**

Our fertilizer specialities are used for crops which, in addition to potassium, have a greater need for magnesium and sulphur, such as rape or potatoes. Chloride-sensitive special crops such as citrus fruits, wine and vegetables are preferably fertilized with potassium sulphate, because it contains less chloride compared with the potassium chloride standard product. It also counteracts soil salination. Our fertilizer specialities are natural products, the majority of which are also approved for ecological farming in accordance with EU law.

Some of these specialities are easily soluble in water and are especially suitable for liquid fertilizing, which is gaining in importance in the light of climate changes leading to longer dry spells. This is because plants can barely absorb the nutrients contained in dried-out soil. The consequence: declining yields despite well fertilized soil. If fertilizers and water are combined (fertigation), the supply of nutrients can be better regulated and the plants can absorb nutrients more evenly during the entire growth period. From 1980 to 2010, the areas fertilized by means of fertigation increased by a factor of 20 to about 10 million hectares globally – a trend that

**WHY FERTILIZE?**

Plants need not only water and sunlight for healthy growth, but also nutrients, above all nitrogen (controls plant growth), phosphorus (influences the metabolism, stimulates blossoming and fruit-bearing) and potassium (regulates the water content, provides resistance to frost, dryness, fungi and pests). But the minerals magnesium (essential for photosynthesis) and sulphur (aids protein growth) are also of great relevance. During the growth and maturity stage, plants withdraw minerals from the soil which are removed with the harvest. To stop the soil becoming impoverished and plant growth retarded as a result, the minerals that have been removed must be replaced through fertilization. The German chemist Justus von Liebig formulated the “law of the minimum”. This states that every nutrient must be present in the necessary amount to aid growth optimally. Further information on plant nutrients can be found at www.kali-gmbh.com/uen/fertiliser/advisory_service/nutrients/index.html
is continuing to rise. The leading countries are the USA, Spain, China and India as well as South Africa.

**PRODUCTS FOR INDUSTRIAL APPLICATIONS**

Our wide range of potassium and magnesium products for industrial applications is available with different degrees of purity and specific grain sizes. For example, potassium chloride is used in chlorine-alkaline electrolysis, in the production of glass and synthetic materials, in the mineral oil industry, in oil and gas exploration as well as in metallurgical processes. Magnesium sulphate aids environmentally friendly oxygen bleaching in the pulp and paper industry, protects fibres when added to detergents, and is also used in biotechnology and in the recycling of synthetic materials.

**HEALTH & NUTRITION WITH A GROWING POTENTIAL**

With our high-purity potassium and magnesium salts, we provide products for the particularly high requirements of the pharmaceutical, cosmetics and food industries. Many medicines have salts added to them to improve their solubility and availability for the human organism as well as for compensation of the electrolyte balance. They are used in infusion and dialysis solutions and are indispensable for producing antibiotics and insulin. The food industry uses our potassium chloride Food Grade to produce dietary supplements, food for athletes, as well as instant soups and sauces. The strength of our product particularly consists in the fact that it enriches food with a further important mineral.

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**K+S KALI MAIN PRODUCTS AND APPLICATION AREAS**

<table>
<thead>
<tr>
<th>Product</th>
<th>Application Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potassium chloride</td>
<td>Can be applied universally to all crops not sensitive to chloride and to all types of soil</td>
</tr>
<tr>
<td>Fertilizer specialities</td>
<td></td>
</tr>
<tr>
<td>Korn-Kali®</td>
<td>Special nutrient combination for almost all crops</td>
</tr>
<tr>
<td>Magnesia-Kainit®</td>
<td>Grassland and forage cropping</td>
</tr>
<tr>
<td>Patentkali®</td>
<td>Chloride-sensitive crops (e.g. potatoes, fruits, vegetables)</td>
</tr>
<tr>
<td>KALISO®</td>
<td>Chloride-sensitive crops (e.g. fruits, vegetables, tobacco)</td>
</tr>
<tr>
<td>ESTA® Kieserit®</td>
<td>Magnesium and sulphur fertilizers for all crops</td>
</tr>
<tr>
<td>EPSO Top®</td>
<td>Leaf fertilizer, liquid fertilizer, fertigation</td>
</tr>
<tr>
<td>Industrial products</td>
<td></td>
</tr>
<tr>
<td>Potassium chloride approx. 99 % KCl</td>
<td>Chemical industry (e.g. electrolysis)</td>
</tr>
<tr>
<td>Potassium chloride approx. 97 % KCl</td>
<td>Metallurgy (smelting and soldering salts, salt baths)</td>
</tr>
<tr>
<td>k-Driill™</td>
<td>Oil and gas exploration (drilling fluid)</td>
</tr>
<tr>
<td>Potassium sulphate from 95 % K₂SO₄</td>
<td>Building materials industry, other industrial applications</td>
</tr>
<tr>
<td>Magnesium chloride/sulphate</td>
<td>Pulp and paper, detergent and plastics industries, pharmaceutical industry, fertilizer industry, de-icing products</td>
</tr>
<tr>
<td>MAXXsolute®</td>
<td>Anti-dusting additive</td>
</tr>
<tr>
<td>Health Care &amp; Nutrition</td>
<td></td>
</tr>
<tr>
<td>Potassium chloride 99.9 % KCl, Ph. Eur, USP</td>
<td>Pharmaceutical industry</td>
</tr>
<tr>
<td>Epsom salt Ph. Eur, USP</td>
<td>Pharmaceutical industry</td>
</tr>
<tr>
<td>Potassium sulphate 99.9 % K₂SO₄</td>
<td>Pharmaceutical industry</td>
</tr>
<tr>
<td>KalS®</td>
<td>Food industry</td>
</tr>
<tr>
<td>Epsom salt chemically pure, FCC, Potassium sulphate 99.9 % K₂SO₄</td>
<td>Food industry</td>
</tr>
<tr>
<td>Kasa® K99, Kasa® Mag94 + Kasa® Mag98</td>
<td>Feed</td>
</tr>
</tbody>
</table>

We produce high-quality potassium chlorides and magnesium sulphates for the feed industry too. With breeding animals and milk cows, there is the risk of magnesium deficiency, since the magnesium content of the on-farm basic feed fluctuates depending on its origin and the plant composition. / TAB: 3.3.1

SALT BUSINESS UNIT

FOOD GRADE SALTS – A VITAL MINERAL

High-purity evaporated salt, rock salt in natural form and sea salt are the basis of our broad range of food grade salts. We produce salt for the food industry, which is used in the production of meat and sausages, bread and cheese to convey taste and as a preservative. Our food grade salt products include, apart from spice salts, also kosher and sodium-reduced products, which are geared towards end users who want to cut down on sodium. Part of the sodium chloride in these products is replaced by the minerals potassium and magnesium. Our food grade salt is also a carrier for the active substances iodine and fluoride. / TAB: 3.3.2 – 3.3.4

NO LIFE WITHOUT SALT

Salt – or, as expressed in chemical terms, sodium chloride – is an important element of nutrition. It is necessary for the water balance, the nervous system, the digestive system and for bone formation. The human body contains 150 to 300 g of salt, and if it loses too much of it – in sport, in extreme heat or as a result of illness – the reserves must be replenished quickly. The daily human salt requirement is somewhere between four and eight grammes.

Frequently, advice is given about consuming salt (sodium chloride) sparingly in order to avoid pathologically high blood pressure or to reduce blood pressure. However, current studies published, for example, by the recognised network COCHRANE COLLABORATION demonstrate that, on average, blood pressure only falls very slightly when a strict low-salt diet is followed. The German INSTITUTE FOR QUALITY AND ECONOMIC EFFICIENCY IN THE HEALTHCARE System too, which basess its judgment on a comprehensive analysis of the available literature and studies, does not regard it as proven that a low-salt diet combats the subsequent complications of high blood pressure. The reason for the weak relationship between blood pressure and salt intake: A healthy body normally excretes excess salt via the kidneys if more salt is consumed than needed.

/FURTHER INFORMATION can be found at www.cochrane.org, www.vks-kalisalz.de/anwendungen/gesundheit/bluthochdruck, www.saltinstitute.org/health/overview

INDUSTRIAL SALT – A RAW MATERIAL FOR MANY APPLICATIONS

Industrial salt is used, for example, by dyeing works, in the textile industry, in the production of feed and in drilling fluids for the extraction of oil and natural gas. Further important applications are water softening and the disinfection of swimming pools. Pharmaceutical salts are an element in infusion and dialysis solutions as well as in medicines. The industrial salt assortment is rounded off with salt lickstones for breeding and wild animals.

SALT FOR CHEMICAL USE – INispensABLE FOR THE CHEMICAL INDUSTRY

Chlorine – a pre-product of many plastics and one of the most important mainstays of the chemical industry – is

POTASSIUM CONTROLS HUMAN METABOLISM

Potassium also fulfils important tasks in the human body: It plays a central role in nerve and muscle control and regulates vital metabolic processes. That is why people should assimilate at least 2 g of potassium every day. This need can be met by balanced nutrition with a lot of fruits and vegetables. Food rich in potassium includes bananas, potatoes and spinach, but also dried apricots and raisins.

K+S KALI AND MORTON SALT JOINTLY SELL KALISEL

KALISEL, a product made from high-purity potassium chloride, is used in many areas of the food industry. It is one of the best and most cost-effective ways of replacing sodium chloride in food where this is required. The product is particularly attractive for the US market, since numerous food manufacturers there offer low-sodium products. Since 2011, K+S KALI has therefore been using the distribution and logistics structures of its American sister company MORTON SALT to place the product on the local market.

obtained from salt. The route from sodium chloride to plastic runs via so-called chlorine-alkaline electrolysis. Apart from chlorine, hydrogen and caustic soda from sodium chloride are also produced in this production process. It reaches the end user as a component of, for example, polyvinylchloride (PVC), a synthetic material from which flooring, window frames, piping systems and industrial packaging are made.

**DE-ICING SALT — ENSURES SAFETY ON WINTER ROADS**

Our de-icing salt customers include winter road clearance services, public and private road authorities and road maintenance depots as well as commercial bulk consumers. Moreover, end users can purchase de-icing salt in small packs. In addition to conventional dry de-icing salt, we offer pre-wetted salt and de-icing salt which, through the addition of calcium chloride, creates more heat in contact with ice and snow than do conventional products, and therefore works more quickly at very low temperatures.

The use of de-icing agents by winter road clearance services has proven successful going back many decades. In the final report of the European research project CoST 353, it is stated that the use of de-icing salt in winter road clearance services throughout Europe is the most economically viable and safest means. Moreover, the report recommends the increased use of the pre-wetted salt technology. CoST 353 aims to establish unified standards for winter road clearance services and road safety across Europe.

PRE-WETTED SALT TECHNOLOGY BECOMING INCREASINGLY POPULAR

In large parts of Europe, the pre-wetted salt technology is regarded as state of the art. Of the bulk de-icing salt sold by ESCO, 80% to 90% is applied using this method. Only where the cost of investing in pre-wetted salt technology exceeds budgetary possibilities is dry salt still spread. Moreover, the topographical and climatic requirements, the historical development of the local winter road clearance services and the respective environmental standards are important.

The method of prewetting de-icing salt with brine is widespread in the USA and in Canada. However, there is no binding standard for the composition of the product, so that depending on the customers’ wishes and winter weather conditions, widely different mixtures are used. Morton Salt estimates that the share of pre-wetted de-icing agents will rise further over the coming years since demand from North American customers is increasing for products which are more effective while reducing potential harm to the environment.

**PREVENTIVE SPREADING WITH BRINE**

Moreover, the trend towards using brine for preventive spreading is prevailing in North America. Ahead of any forecast freezing rain, this involves salt solution being evenly spread on the streets at high speed and in the smallest possible concentration, and thus preventing icing or at least delaying it.

**EPSOM SALT FOR PHYSICAL WELLBEING**

Morton Salt has marketed its first product line for body care. The bath additives and lotions based on Epsom salt, which are available on the shelves of US chemists’ shops since the beginning of this year, are sold under the motto “The natural way to recharge”. The traditional household remedy from nature was rediscovered in the UK and in the USA and has since then been conquering both home bathrooms and wellness temples there. Epsom salt relaxes the muscles and has a detoxifying and enzyme-stimulating effect, boosting the metabolism and the body's own moisture management. The base material for Epsom salt – kieserite – is extracted and processed in the Werra potash plant in Germany.

The pre-wetted salt technique, which involves the spreading of a mixture of 70% dry salt and 30% brine, allows the amount of de-icing salt spread to be reduced while at the same time enhancing the de-icing effect and thus improving safety on the roads. Through the pre-wetted salt technology, an improved spreading technique, more precise weather forecasting models and the increased use of measurement sensors, it has proved possible to minimise potentially damaging effects of de-icing salt on plants as well as ground and surface water. / FIG: 3.3.1

FURTHER INFORMATION at www.cost.eu/domains_actions/tud/Actions/353
**MAIN PRODUCTS AND APPLICATION AREAS**

**ESCO – EUROPEAN SALT COMPANY**

<table>
<thead>
<tr>
<th><strong>Food grade salts</strong></th>
<th>Private households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sommersalz®, Saldoro®, Cérébos®, Vatel®, Balance® (50% less sodium)</td>
<td></td>
</tr>
<tr>
<td>Pretzel salt</td>
<td>Food processing industry</td>
</tr>
<tr>
<td>Pickling salt</td>
<td>Food processing industry (meat and sausage products)</td>
</tr>
<tr>
<td>Kristall® Natursalz, Other food grade salts</td>
<td>Food processing industry (e.g. bread, cheese, canned food)</td>
</tr>
</tbody>
</table>

**Industrial salt**

| Avai®, Regenit® | Water softening |
| Dishwasher salt | Private households |
| Salt lickstones and mineral lickstones SOLSEL®, Animal feed salt | Animal nutrition |
| Fishing industry salt | Preserving of fish |
| Hide curing salt | Tanneries |
| Pharmaceutical salt | Infusions and dialysis solutions, medicines |
| Other industrial salts | e.g. drilling fluids, dyeing works, leather treatment, pottery |

**Salt for chemical use**

| Salt for chemical use | Chemical industry |

**De-icing agents**

| De-icing salt, magnesium chloride solution | Winter road clearance services, public road authorities, grit for private households |

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**K+S CHILE MAIN PRODUCTS AND APPLICATION AREAS**

<table>
<thead>
<tr>
<th><strong>Food grade salts</strong></th>
<th>Private households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sal Lobos®, Sirena, Oceano, sea salt</td>
<td></td>
</tr>
<tr>
<td>Biosal® (50% and 66% less sodium), SalSul, spice salts, other food grade salts</td>
<td></td>
</tr>
<tr>
<td>Biosal Panadera® (25% less sodium)</td>
<td>Baking industry</td>
</tr>
</tbody>
</table>

**Industrial salt**

| Super Salt®, premium salt granulate | Water softening |
| Zebu | Animal nutrition |
| Brine | Salmon industry |
| Other industrial salts | e.g. textile industry |

**Salt for chemical use**

| Salt for chemical use | Chemical industry |

**De-icing agents**

| De-icing salt, magnesium chloride solution, Blizzard Wizard® Ice Melt, de-icing salt with corrosion inhibitor (licensed brand Ice-B-Gone®) | Winter road clearance services |
| C-FORCE® calcium chloride, Halite®, Artic Thaw® | Grit for private households |

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**MORTON SALT MAIN PRODUCTS AND APPLICATION AREAS**

<table>
<thead>
<tr>
<th><strong>Food grade salts</strong></th>
<th>Private households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morton® &amp; Windsor® Table Salt, Morton® &amp; Windsor® Sea Salt, Morton® &amp; Windsor® Kosher Salt, Morton® Salt Balance®, Morton® Lite Salt™ &amp; Windsor® Half Salt™, Morton® Nature’s Seasons®, Morton® Season All®</td>
<td></td>
</tr>
<tr>
<td>KaliSel®, Morton® Potassium Chloride, Morton® Lite Salt™ mixture, Culinix® 999® Salt, Morton® Star Flake®, Dentic Salt, California Pure Sea Salts, other food grade salts</td>
<td>Food processing industry</td>
</tr>
</tbody>
</table>

**Water softening, pool salt and Epsom salt**

| Morton® & Windsor® System Saver II®, Morton® & Windsor® Rust Remover, Morton® Solar Salt, Morton® & Windsor® Pool Salt, Morton® Advanced Formula Pool Salt, Morton® USP natural and perfumed Epsom salts, Epsom salt lotion | Private households and commercial users |

**Industrial salt**

| Morton® USP Sodium Chloride, Morton® USP Potassium Chloride, Morton® White Crystal® Sodium Chloride | Pharmaceutical industry |
| Other rock, evaporated and solar salts | Chemical and oil industry, agriculture, municipal water treatment and other industrial processes |

**De-icing agents**

| Morton® Professional Ice Melt®, Morton® & Windsor® Safe-T-Salt®, Morton® & Windsor® Safe-T-Salt® Max, Morton® & Windsor® Action Melt®, Morton® & Windsor® Safe-T-Plus®, Morton® Safe-T-Power®, Morton® & Windsor® Calcium Chloride, Morton® & Windsor® Safe-T-Pet®, Pro Seal™ Ice Melt with HXC™ | Winter road clearance services, private households and commercial users |

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1. EC Eco-conformity for food grade salt.
While sodium chloride brine is used in our evaporated salt production and in the chemical industry as a raw material, magnesium chloride solution serves mainly as a component for pre-wetted salt application in winter road clearance services. K+S CHILE supplies brine to the Chilean salmon industry, while at its Bernburg site, ESCO also offers storage services of liquid gas in caverns.

This procedure was also tested in Scandinavia and Germany. Following a series of tests on motorways, the German Federal Highway Research Institute (BAST) came to the conclusion that, in the event of expected slippery frost, the preventive spreading of brine offers benefits in comparison to the spreading of pre-wetted salt; the latter, however, remains the best solution in winter road clearance services in the event of already present icy roads and snowfall. Meanwhile, providing road and motorway maintenance departments with brine spreading vehicles and combined spreaders is being intensively promoted throughout Germany.

Brine and other products and services round off the range

While sodium chloride brine is used in our evaporated salt production and in the chemical industry as a raw material, magnesium chloride solution serves mainly as a component for pre-wetted salt application in winter road clearance services. K+S CHILE supplies brine to the Chilean salmon industry, while at its Bernburg site, ESCO also offers storage services of liquid gas in caverns.

Waste Management and Recycling Business Unit

The Waste Management and Recycling business unit operates two underground waste disposal sites (annual capacity: up to 270,000 tonnes) and five facilities for reutilisation underground (annual capacity: up to 750,000 tonnes).

The reutilisation facilities are approved under the terms of mining legislation and the depositories under the terms of waste legislation. All facilities comply with EU legislation and with the waste disposal and stowing directives. As part of the approval procedures, the geological, hydrogeological, mining-technical and geomechanical suitability of the sites was proven in several expert opinions. The sites are regularly inspected by state regulatory bodies and have been certified as professional waste disposal sites and according to ISO 9001:2008.

Waste permanently and safely isolated from the biosphere

The waste stored in the underground waste disposal sites is isolated permanently from the biosphere, which no surface storage can achieve. If necessary, however, it can be removed from storage again in order to recycle the reusable substances it contains with new processes. Suitable for underground disposal are inorganic toxic wastes, which must not be explosive, easily combustible, radioactive, gas emitting, or independently flammable.
Neither will free liquids be stored, nor any solid substances that could cause a chemical reaction with the salt rock. Substances suitable for underground storage are therefore, for example, incineration residues, arsenic- or mercury-containing waste as well as contaminated soil and construction waste.

The waste is packed in big bags, barrels or containers made of steel sheet. When storage in an underground cavern is completed, this is secured by a wall or a salt wall and thus separated from other groups of substances. When the underground waste disposal site is shut down, state-of-the-art technology is used to make the related shafts watertight and seal them off safely over the long term. Through the combination of geological and artificial barriers, we ensure the highest possible degree of safety.

Given the current quantities of waste to be stored, the underground caverns that have been approved for storage at the two underground waste disposal sites are sufficient for several decades. Because of the mining of potash, further underground caverns are being continuously created, and these may also be used for waste storage upon extension of the necessary approval. / FIG: 3.3.2

<table>
<thead>
<tr>
<th>CROSS-SECTION OF AN UNDERGROUND WASTE DISPOSAL SITE</th>
</tr>
</thead>
<tbody>
<tr>
<td>in m</td>
</tr>
<tr>
<td>− 200 Buntsandstein (shale, sandstone and siltstone)</td>
</tr>
<tr>
<td>− 400 Shale (water barrier)</td>
</tr>
<tr>
<td>− 600 Zechstein (rock salt; impervious to gas)</td>
</tr>
<tr>
<td>− 800 Zechstein (rock salt, impervious to gas)</td>
</tr>
<tr>
<td>− 1,000 Rotliegend (sandstone)</td>
</tr>
<tr>
<td>− 1,200</td>
</tr>
</tbody>
</table>

**Flue Gas Cleaning Residues are Reutilised Underground**

In our reutilisation facilities we backfill approved non-mining waste into suitable underground caverns. Apart from ashes left over from the combustion of sludge, contaminated soil and building rubble as well as industrial sludge, primarily residues from the flue gas cleaning of thermal waste treatment facilities are suitable for underground reutilisation. As untreated municipal and commercial waste must no longer be dumped, the major part of it is burnt in waste incineration plants and substitute fuel plants, whereby these residues occur to a greater extent.

**Recycling of Salt Slag and Building Materials**

The business unit also markets smelting salts from potash production, which are used in smelting aluminium scrap. We take back the salt slag produced during this process and fully recycle it. The aluminium granulate extracted from the salt slag is then reintroduced into the substance cycle. In another facility, soil and building rubble are processed and used to recultivate a potash tailing pile. In addition, secondary building materials for road construction and civil engineering projects are also created.
3.4 QUALITY MANAGEMENT

Quality management is a managerial task in all areas of responsibility at K+S and follows the principle of avoiding mistakes instead of subsequent troubleshooting.

Our goal is to further improve the quality of our products and services in all phases of the value added chain, from the extraction of our raw materials through production and sale to application. We want to identify our customers’ expectations at an early stage and deal competently and reliably with the tasks arising from this. Assured quality, on-time delivery and professional consulting contribute significantly to customer loyalty.

On the basis of ISO 9001:2008, we have built up a quality management system. More than 80% of all production sites already possess a QM certificate according to ISO 9001:2008 that at least covers sub-areas. In 2013, 45% of our employees worked in certified areas.

The K+S GROUP holds a wide range of certificates, which document the high standard of our production sites and manufacturing processes. Thus, for example, our high-purity potassium chloride is certified in accordance with the international standard for medicinal products GMP+ (Good Manufacturing Practice) and has been approved by the United States Food and Drug Administration (FDA).

/ AN UP-TO-DATE LIST OF OUR CERTIFICATES can be found at www.k-plus-s.com/en/nachhaltigkeit/qm

3.5 CUSTOMER INTERESTS

COMPREHENSIVE PRODUCT INFORMATION

K+S provides its customers with comprehensive information regarding its products and services. The type and scope of this information comply with the respective provisions of national and international law. With regard to certified products, the additional labelling requirements of the respective standard will apply. Across the Group, relevant information is available in product databases and constantly updated safety data sheets describing, for example, which safety measures are to be adopted during storage and transportation. Our packaging is continuously checked by us, to ensure that up-to-date information is always provided.


REACH EUROPEAN CHEMICALS DIRECTIVE: SUBSTANCES REGISTERED

K+S has registered seven substances with an annual production output of more than 1,000 tonnes each as well as two substances with an annual production output of from 100 to 1,000 tonnes at the EUROPEAN CHEMICALS AGENCY (ECHA). Our registration obligations under the REACH European Chemicals Directive have thus been fulfilled. Our raw materials mined, which we process by means of physical processes, are – as natural substances – released from the registration obligation.

/ FURTHER INFORMATION can be found at www.echa.europa.eu

INFORMATION ON AWARENESS IN SALT CONSUMPTION

With its four-year “Salt Savvy™” campaign, MORTON SALT argues for awareness in the use of salt and offers practical tips on its food grade salt packaging such as: cook more often with fresh products instead of buying processed foods, pay attention to the ingredients of processed foods or taste the dish first before adding salt.

CUSTOMER SATISFACTION

We maintain an active dialogue with our customers in order to better understand their needs and to strengthen and permanently secure confidence in our products and services. The business units regularly ask their customers for their opinion on product quality and services. High customer satisfaction is used as a measure of the performance of the QM system with the ISO 9001-certified segments. Apart from these analyses of satisfaction, personal talks and feedback statistics provide us with specific starting points for further improvements.

CURRENT SURVEYS AND ANALYSES

+ K+S KALI, with the support of the University of Kassel, reviewed the satisfaction of its customers in 2012. This involved all customers worldwide who obtain products from ISO 9001-certified segments (industrial products, health care & nutrition). The result shows that customers are fully satisfied with K+S KALI on
the whole. Product and service quality as well as good communication with customers were rated especially positively. Complaints management offers starting points for improvements. In particular, we want to reduce the reasons for complaints by making the declarations more uniform and continue to improve the processing and storage life of the products.

ESCO, certified in accordance with ISO 9001, carries out customer satisfaction analyses every two years. In 2012, about 5,000 contact partners in over 80 countries received an invitation to participate. For the first time, ESCO used a web-based solution, so that the questionnaires could be both filled out and evaluated electronically. As a result, ESCO is assessed better than its competitors in all areas. Availability of goods, product quality and delivery reliability were decisive for the assessment. After winter road clearance services customers had rather critically assessed ESCO’s accessibility during peak demand times, a new “Business Communication Management” was introduced, which is intended to tangibly improve employees’ accessibility by phone.

AUDITING BY CUSTOMERS

The European pharmaceutical industry is legally obliged, by the EU Directive on a Community code on medicinal products for human use (2001/83/EC), to audit companies from which it obtains raw materials. Due to this regulation, the number of customer audits has increased by 300% in the past ten years. Added to this are companies in the food and feed industries, which make special demands on the raw materials and would therefore like to verify the production process on-site. We generally complete these audits with good results. If customers make recommendations for improvements, these go through our internal evaluation system; decisions on implementing them will be taken bearing costs and risks in mind.

In 2013, sites of K+S KALI were audited by companies including Dr. Paul Lohmann, CVS and Mars. At ESCO, audits by the companies Baxter, Friesland Campina and Mars Chocolat France have taken place. K+S Chile was audited by, for example, McDonald’s, Nestlé and PepsiCo, and Morton Salt by Fresenius Medical Care, Baxter Healthcare and Merck.

3.6 RESEARCH AND DEVELOPMENT

In principle, we pursue the following two goals with our research and development activities:

- Increasing customer benefit
- The most efficient use of resources possible

We constantly review our extraction and production processes in order to use the resources available to us as efficiently as possible, further develop our procedures and products, and test new technologies and materials in order to improve processes.

In the period under review, research costs totalled €13.9 million and were thus down on the level of the previous year (2012: €19.4 million), which was determined by projects in the solution mining area connected with the Legacy Project. The optimisation of production processes for minimising solid and liquid production residues in potash production remained a focal point.

COOPERATION IN THE GROUP

Our goal is to optimally exploit existing synergies in the area of R&D and to make the best possible use of the competence of each institute. That is why the K+S Research Institute and the Institute of Applied Plant Nutrition (IAPN) cooperate closely on the evaluation of product ideas in respect of marketability, production, processing, application and the effects on plant cultivation. They are supported by the internal interdisciplinary working group on “Innovation, Products and Applications”. The Morton Salt Research Laboratory and the K+S Research Institute cooperate in the area of process technology.

Specific research projects are implemented in cooperation with universities and colleges. In this way, knowledge gained from basic research enters our corporate practice. In turn, the universities have the opportunity to conduct research that takes account of current practice. / FIG: 3.6.1

CREATING VALUES
In September 2013, the ground-breaking ceremony took place for the construction of a new Analysis and Research Centre (ARC) of the K+S Group in Unterbreizbach/Thuringia. With approximately 9,000 square metres of usable space, the new building offers room for over 90 employees; it is to become operational at the end of 2015. The new ARC will also take over more tasks for foreign subsidiaries and production sites in future. Until it is completed, K+S will continue to operate the existing research institute in Heringen in Hesse.

The focus of the work is on processing, process technology and analytics. Scientists, engineers and technicians work primarily on the development of products and processes. In addition, we examine the extent to which findings from basic research can be applied or transferred to our specific issues. In the connected central laboratory, methods of analysis are developed, which are tailored specifically to our laboratories and factory processes.

**MORTON SALT RESEARCH LABORATORY**

In the USA, MORTON SALT operates a central research laboratory in Elgin, Illinois. The employees there work closely together with the laboratories at the sites, but also with external research institutions. Their tasks include the new and further development of products, the analysis of substances and processes, as well as the testing of materials. Furthermore, the research laboratory advises customers on specific issues, provides support in the implementation of official and statutory requirements and carries out further training for employees.

**INSTITUTE OF APPLIED PLANT NUTRITION (IAPN)**

The IAPN is a so-called public-private partnership between the Georg-August-University of Göttingen and K+S KALI. It is devoted to practice-oriented research in the area of plant nutrition. It acts as an interface between science and practice, addressing current issues, bundling existing knowledge and passing on new insights to the agricultural practice. The employees working at the institute are dedicated to promoting the transfer of knowledge to emerging and developing countries. The work of the IAPN is aimed particularly at solving the following research questions:

+ The adjustment of agricultural production processes to the changing climatic conditions.
+ The increasing of resources through the optimal supply of nutrients.
+ The development of plant cultivation concepts in less developed regions.
One focus of the IAPN research is on improving the efficient use of water by crops. Here the institute smoothly follows up the research done by K+S in this field to date.

### 3.7 SERVICE AND CONSULTANCY

Expert consultancy is a key element of K+S’ range of services above all in the agricultural sector. With a team of regional consultants operating in Germany as well as globally active agricultural engineers, we advise our customers individually and develop needs-based solutions. We make technical application advice available for industrial products and industrial salts.

### FIELD TESTS ALL OVER THE WORLD

Field tests are indispensable for our work and that of our customers. We are currently supervising 125 tests all over the world. We frequently cooperate with local universities, academic institutions or customers in test set-ups. The universities receive the publication rights as well as financial support for dissertations and doctoral theses. In the case of non-European projects, the INTERNATIONAL PLANT NUTRITION INSTITUTE (IIPNI) is often on board as a partner. Many tests are carried out directly at farms that profit directly from the knowledge gained.

### TESTS UNDER REAL CONDITIONS

Whereas the same conditions always prevail in greenhouses and so-called climatic chambers with special soil substrates, field tests – like agriculture itself – are subject to the random variability of soil and weather. The test area is divided into lots a few square metres in size, on which various quantities or forms of fertilizers are applied, depending on the aim of the test. Every plot is harvested separately. To minimise the importance of random external influences, the test processes are repeated several times in different places. A field test usually lasts four years. Due to the small size of the lots, special machines are necessary for planting, maintaining and harvesting. / FIG: 3.7.1

The findings allow a targeted assessment to be made of the correct form of nutrients, the volume of fertilizers and the time of fertilizer application tailored to the specific location. In doing so, we focus on the nutrients potassium, magnesium, sulphur, boron, manganese and zinc. In the meantime, a comprehensive data base has been created, on the basis of which we identify market potential as well as future areas of application and continually develop our products and nutrient combinations. In the future, we want to align the decision for a test order even more thoroughly to the central challenges of agriculture.

### CHALLENGES FOR AGRICULTURE

The United Nations estimate that, in the mid-21st century, up to ten billion people will be living on Earth. To feed a further two billion people, agricultural production must be increased by 60 to 70% by 2050. Developing countries and regions where the quantity of food produced is already today insufficient to cover the demand are particularly stretched. Furthermore, if deserts and steppes continue to expand as a result of climatic changes, by 2025, according to the experts’ estimates, almost two billion people could be living in regions with a shortage of water. This would have a considerable impact on agriculture there, because most of the water, about 70% of global consumption, is used for the cultivation of food.

### MORE EFFICIENT USE OF WATER – POTASSIUM AND MAGNESIUM HELP TO STORE WATER

The basic rule is that: Only plants on a balanced diet are able to make optimal use of the available water. Furthermore, however, potassium and magnesium have a very specific impact: Soil can store more water if these minerals are spread regularly than without appropriate fertilization. Additionally, a positive effect on root formation can be detected – and strong roots are able to tap into additional water reserves. The IAPN and the University of Kiel are now examining to see whether, with an increased level of potassium supply, the metabolism of plants adapts better to dry conditions and thus handles the available water more efficiently. Apart from dryness, however, other climate-induced stress factors such as heat as well as saline and acidic soils are also coming increasingly to the fore. That is why the IAPN, together with the University of Istanbul, is examining the extent to which balanced fertilizer use also counteracts the negative effects of these stress factors.

The findings allow a targeted assessment to be made of the correct form of nutrients, the volume of fertilizers and the time of fertilizer application tailored to the specific location. In doing so, we focus on the nutrients potassium, magnesium, sulphur, boron, manganese and zinc. In the meantime, a comprehensive data base has been created, on the basis of which we identify market potential as well as future areas of application and continually develop our products and nutrient combinations. In the future, we want to align the decision for a test order even more thoroughly to the central challenges of agriculture.

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We have therefore not only intensified our research for a more efficient use of water (see page 49), but will also expand our field tests regarding the application of leaf fertilizers (see page 39). A new test in Brazil is intended to provide information about the extent to which our water-soluble magnesium fertilizers positively influence the yields of soya, sugar cane, coffee and citrus plants.

A further focal point is a better determination of the nutrient content in organic residues such as liquid or farmyard manure. We are therefore, together with the Weihenstephan-Triesdorf college in Germany, carrying out a field test regarding biogas crop rotation in the second year of testing. The intention is to identify how many nutrients are again available for the plants in the form of liquid manure after the fermentation, so that the supply of nutrients could then be correspondingly improved through supplementary mineral fertilization.

Apart from that, our attention is drawn to the fact that the way that farmland is worked and the technology employed for this has changed considerably in recent years. The soil, for example, is frequently only worked superficially in order to avoid erosion, and agricultural tools are at the same time also suitable for applying fertilizers. This development makes it necessary to adjust the time of fertilizing and also the amount applied. We have therefore established a new test for side-dress-
ing (spreading fertilizers and sowing seeds at the same time) of potassium in rape and cereals.

**APPLICATION CONSULTING FOR GOOD PROFESSIONAL PRACTICE**

On the basis of our research activities and field tests, we are creating for our customers worldwide individual fertilization recommendations which are the conditions for “good professional practice”. The principles of good professional practice of agricultural land use are a sustainable securing of soil fertility and the productivity of the soil as a natural resource.

In our opinion, many emerging and developing countries can still considerably increase their crop yields by better applying the principle of a balanced fertilization and by increasing soil fertility. In many parts of the world, the proper use of fertilizers is usually governed less comprehensively than, for example, in Europe or the USA. We want to make knowledge available to farmers in places where this is urgently needed — without neglecting existing local experience. Our agricultural application advice contributes to the transfer of knowledge. It locally trains the sales consultants of local partners as well as those responsible for the plantations and supports local authorities and educational institutions with information material.

**IN VolvEmE ON THe Af RICAN Co NtInEnT**

In the future, we want to be more deeply involved in food security in Africa. Accordingly, K+S KALI and the non-governmental organization SASAKAWA AFRICA ASSOCIATION (SAA) started their joint “Growth for Uganda” project in 2013. In East African Uganda, an agricultural advisory service is to be set up. Specific objective: In the next two years, we want to train 50,000 smallholder farmers. Uganda has great agricultural development potential, which will be tapped into. The soil is poor in nutrients and organic substances. Only a small percentage of the fields are irrigated.

Together with its local partners, K+S wants to develop best management practices for the cultivation of regionally typical crops. This will include both those crops that ensure the feeding of the farmers and those known as cash crops, through the sale of which the farmers can earn an income. K+S is in turn becoming very familiar with the situation of smallholders on the ground, gaining new insights into the functioning of the local markets, and can orientate its market policy towards regional needs over the long term.

We are also a member of the GERMAN FOOD PARTNER-SHIP and in Ethiopia and Kenya we are contributing to a project the objective of which is to promote potato production in Africa. The GERMAN FOOD PARTNER-SHIP brings together public and private actors in order to implement projects and programmes to build stable agricultural value chains as well as to increase agricultural production.

The two East African countries are particularly well suited to potato cultivation due to their climatic conditions. In many parts of Africa, potatoes and sweet potatoes are significant staple foods, which also make an important contribution to the securing of smallholders’ income. The project considers the entire value chain from potato production to sale. We will contribute our knowledge about the influence of soil fertility on crop yield. The project participants are the IAPN (see page 48) and the International Potato Center (CIP) in Peru, with which we have been closely cooperating since 2011.

**FURTHER INFORMATION** can be found at www.germanfoodpartnership.de/en and www.cipotato.org
3.8 SUPPLY CHAIN

Open and fair working together characterises the cooperation with our service providers, which we select in a systematic, transparent and IT-supported process not only in accordance with purely economic criteria. We also expect them to respect human rights as well as the core labour standards of the International Labour Organisation (ILO). Our goal in cooperation is to build up long-term partnerships.

TRANSPARENT ELECTRONIC TENDERS

Already more than ten years ago, we established the first electronic purchasing processes. Today, in Europe, transport services for inland waterway vessels and trucks are also advertised for bids online. We have published our purchasing guidelines, general terms and conditions of transport and other important information on our procurement portal as well as on our logistics portal. Comparable processes are also to be established in North and South America in the future.

SUPPLIERS

We assess the complete procurement process from the request through delivery of the service performed to settlement. Here we consider both quality as well as environmental and safety standards. This assessment is supplemented by a self-assessment which every new supplier has to submit.

Should it become evident that a supplier does not meet our criteria, the company-internal participants in the supply chain will immediately be informed. In this way, we can introduce measures or, if necessary, terminate contracts in good time.

Of our contractual partners, 99% come from OECD states (Organisation for Economic Cooperation and Development).

The results of service provider assessments are recorded and categorised group-wide. In 2013, over 95% of our products were transported by service providers to whom the two highest quality grades have been assigned.

PURCHASING VOLUME

Potash and rock salt mining is distinguished by a high degree of value added. We process the natural raw materials extracted by us with various multi-phase separation processes for a wide range of products. Materials going into our production or our products are therefore only a small part of the purchasing volume in all. In 2013, K+S purchased raw materials, consumables and supplies, technical goods as well as services for about € 1.9 billion at about 19,800 suppliers.

LOGISTICS SERVICE PROVIDERS

The long-term securing of freight capacity is of strategic importance to K+S. A large part of our international transportation volume is forwarded by service providers with whom we maintain long-standing partnerships. With the help of key performance indicators applicable group-wide, we monitor our costs, measure the efficiency of our logistics systems and improve these in a constant process, in order to maintain and improve customer satisfaction.

We maintain development partnerships with suppliers from specialist mechanical engineering. We are constantly further developing loaders for underground operations together with GHH FAHRZEUGE GMBH, so as to adjust them to changing deposit conditions. The same can be said for the drilling vehicles (HERBST SMAG MINING TECHNOLOGIES GMBH) and the specialist machines for the infrastructure underground (BAT BOHR- UND ANLAGENTECHNIK GMBH).
In 2013, the K+S Group moved a transportation volume of 54.4 million tonnes (2012: 46.8 million tonnes). The increase is due to the above-average demand for de-icing salt in Europe at the beginning – or, in North America, at the end – of 2013. We use all carriers to the best possible capacity by exploiting their individual advantages. Not only we ourselves profit from this, but so do our customers as well as our partners from the logistics sector.

As far as possible, we move our transportation from road to the more environmentally friendly rail and waterways. Examples are our own container logistics carriers “Baltic Train” (rail) and “Börde Container Feeder” (inland waterway) as well as our container terminal “Werra Kombi Terminal”. We are involved in the “ShortSeaShipping Inland Waterway Promotion Center”, a public-private partnership, to whose network the Federal Ministry of Transport and Digital Infrastructure as well as several state ministries belong. / TAB: 3.8.1

**TRANSPORTATION VOLUME**

<table>
<thead>
<tr>
<th>Carrier</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truck</td>
<td>27.0</td>
<td>21.4</td>
</tr>
<tr>
<td>Seagoing vessel</td>
<td>15.0</td>
<td>13.9</td>
</tr>
<tr>
<td>Rail</td>
<td>8.3</td>
<td>7.9</td>
</tr>
<tr>
<td>Inland waterway</td>
<td>3.1</td>
<td>2.6</td>
</tr>
<tr>
<td>Pipeline</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54.4</strong></td>
<td><strong>46.8</strong></td>
</tr>
</tbody>
</table>

1 The logistics tonnage includes double counting due to transport chains (e.g. rail to inland waterway to seagoing vessel).
SHAPING THE ENVIRONMENT

RESOURCE-CONSERVING MINING AND PROCESSING / Reducing energy input in the long term and improving energy efficiency / Reducing use of water and lowering wastewater volumes / Comprehensive compensatory and substitute measures

4

4.1 Environmental Management 55
4.2 Energy Efficiency and Climate Protection 56
4.3 Water and Water Protection 59
4.4 Compensatory Measures and Nature Conservation 64
4.5 Aftercare in Mining 65
4.1 ENVIRONMENTAL MANAGEMENT

Those who extract and process raw materials interfere with nature. In this regard, high economic effectiveness and efficiency on the one hand do not rule out the resource-conserving mining of raw materials on the other. K+S employs modern exploration and mining processes and is continuing to develop process technology. We use energy, water, factory supplies and auxiliary materials as sparingly as possible and avoid waste wherever possible. We thus increase the yield from reusable substances and at the same heighten the efficiency of all raw and other materials employed.

In 2013, we mined 63 million tonnes of raw materials and employed for their processing 103,544 tonnes of auxiliary materials and 26,428 tonnes of explosives and factory supplies. Our auxiliary materials are essentially additives, process chemicals and anti-caking agents. The factory supplies include fats and oils; they are necessary for operating production facilities. / TAB: 4.1.1

All K+S companies have issued environmental management programmes corresponding to their site-specific challenges and in accordance with local legislation. Our internal policy is currently being reviewed with the aim of making our processes even more efficient. For this reason, we are also using, as of this reporting period, a new data management system, as a result of which the measuring methodology of several key figures has changed. Environmental key figures refer to active production sites of the K+S GROUP.

Due to our mining operations, the issues of energy and water are of particular importance to us. In implementing our schedule for sustainability (see page 28), we are currently systematically analysing the relevance of various issues connected with our value chain. All issues are subject to critical examination in this open-ended process.

AUDITS

We review the effectiveness of our environmental protection measures through internal audits. Our auditing is based on the “Guidelines for auditing management systems” (ISO 19011:2011) and is regulated in a process instruction. In the case of deviations from the standards, corrective actions such as training or repairs are undertaken and documented.

Our future potash plant in Canada is already subject to regulatory environmental inspections assessments during the construction stage. Thus, the Saskatchewan Ministry of the Environment inspected the Legacy construction site last year and accepted the actions taken and made additional recommendations. For example, wetlands bordering the construction site are now to be included in the water monitoring programme. In December 2013, K+S POTASH CANADA had an external auditor audit the safety and environment programs and plans of a company commissioned to do the construction management of the Legacy Project.

CAPITAL EXPENDITURE AND OPERATING COSTS

In 2013, capital expenditure relating to the environment amounted to €123 million and therefore increased by €31.7 million compared with a year ago (2012: €91.3 million). This is due to increased expenses for water protection, the major part of which is attributable to the implementation of the package of measures at the Werra plant and to the construction of the saline water pipeline from Neuhof to Philippsthal. / TAB: 4.1.2

The operating costs for environmental protection increased slightly to €161.2 million (2012: €158.7 million), although as of this year the charges for groundwater and wastewater have not been included in the water protection costs as in previous years. The increase is largely due to the Potash and Magnesium Products business unit, because higher costs for water protection have been incurred here. / TAB: 4.1.3
At our sites, apart from the mining waste there is also waste which is subject to the Closed Substance Cycle Management Act (Kreislaufwirtschaftsgesetz) in Germany. This means that waste avoidance is the prime objective and waste disposal the last alternative, which is only implemented if no reutilisation, recycling or other recovery processes are applicable.

In 2013, the waste volume accumulated amounted to 137,833 tonnes (previous year: 136,500 tonnes), which corresponds to 4.8 kg/tonne of product. The waste volume accumulated excluding construction waste amounted to 59,896 tonnes (previous year: 77,300 tonnes), which corresponds to a specific waste volume of 2.1 kg/tonne of product. About 73% of the waste could be supplied for reutilisation. The proportion of non-hazardous waste in our total waste volume is 97%.

Construction waste amounted to 77,937 tonnes and is largely due to major projects of our Werra plant, in connection with the package of measures. Of the construction waste, 86% was reutilised.

Whereas the volume of construction waste depends on the project and is therefore subject to large fluctuations, the production-specific waste generated is relatively constant.

**WASTE MANAGEMENT**

The K+S GROUP wants to reduce its energy input further in the long term and is working continuously to improve energy efficiency. For our competitiveness, it is important to lower energy costs despite constantly increasing energy prices. We want to introduce energy management systems in order to achieve greater transparency in the case of both energy input and energy costs.

Group-wide we are using modern power plant technology, improving the energy input in production processes,
utilising waste heat in production facilities and power plants, and reducing the energy input in the entire value chain.

**ENERGY MANAGEMENT SYSTEM IN ACCORDANCE WITH ISO 50001**

In December 2013, the energy management system for the German Group companies was certified in accordance with ISO 50001:2011. This is the prerequisite for us, an energy-intensive company with highly efficient plants, to obtain a refund of part of the energy tax paid in Germany.

**HIGH ENERGY EFFICIENCY**

The energy required for the operation of our power plants, drying plants and evaporated salt plants (electricity and steam) is to a large extent generated on the basis of natural gas. At two sites, we are using the steam from substitute fuel-driven heating plants in our production processes.

Six of our seven German potash plants have their own power stations, which are equipped with cogeneration (CHP) technology. The efficiency level of the power plants is over 90%. The sites thus work close to the highest level of theoretically achievable energy efficiency. The Zielitz and Neuhof-Ellers plants also use cogeneration in drying processes. Moreover, at Neuhof-Ellers and the Werra Verbund plant, the condensing technology is used on an industrial scale to produce usable heat from power plant exhaust gas.

In the United States, three of the nine evaporated salt plants are still operated with coal. In recent years, Morton Salt has already invested in new technologies to reduce emissions at these sites. This not only significantly increased the economic efficiency of the plants, but it also proved possible to cut the emission of nitric oxides by more than 20%. In 2014, the K+S subsidiary wants to verify the expenses which would accompany the switch to natural gas by these plants.

**ENERGY INPUT SAVINGS POTENTIAL**

We see greater opportunities for savings in energy consumption, for example by changing the operation of production and energy conversion plants. We also want to use process steam and electricity more efficiently than before. In order to save electricity, we have started, at the German sites, to replace electric motors with high-efficiency motors and to introduce LED luminaires.

**ENERGY CONSUMPTION**

In 2013, total energy consumption amounted to 9,236 GWh. In contrast to the previous reporting period, this amount includes all fuels. Without fuels, energy consumption came to 8,934 GWh (previous year: 8,747 GWh). Specific energy consumption per tonne of manufactured product was 321 kWh/tonne of product.

**USE OF ALTERNATIVE FORMS OF ENERGY**

We are examining the possibility of obtaining power from renewable sources for our salt mineral deposit in the Chilian Tarapacá desert and for our adjacent port. After preliminary examination, we have ruled out the use of photovoltaics, i.e. the conversion of sunlight into electrical energy, and are concentrating on wind energy. Since June 2013, wind measurements have been taken at the planned site. After this is completed, taking into account the actual power requirement, an assessment will be made of whether this manner of generating electricity can be profitable for us.
Without fuels, it was 311 kWh/tonne of product (previous year: 309 kWh/tonne). A total of 208 GWh of electricity was fed into the public network.

Both absolute consumption and consumption per tonne of manufactured product have risen. Our objective is to lower energy consumption by 2014 to below 270 kWh/tonne of product.

**CLIMATE CHANGE**

The Intergovernmental Panel on Climate Change (IPCC) summarises the state of worldwide climate research by declaring that the global average temperature on the Earth’s surface has increased since the start of industrialisation. This development is due to increasing greenhouse gas emissions caused by man. On a political level, the consequences and adjustment mechanisms are discussed in various contexts – national and regional through global.

**EMISSIONS TRADING**

Emissions trading is one of the three instruments for a sensible handling of climate gases within the Kyoto Protocol, which was adopted in 1997 under the international Framework Convention on Climate Change. In 2005, the European Emissions Trading System (EU ETS) for regulating greenhouse gas emissions in energy-intensive industries entered into force. Companies emitting more CO₂ than allowed under the emission rights allocated to them can choose whether to invest in projects to reduce emissions or to buy emission certificates on the market. After the divestment of COMPO, 13 plants¹ of the K+S Group are still obliged to engage in emissions trading. This involves power plants and drying plants.

**CLIMATE EMISSIONS**

CO₂ emissions from the consumption of natural gas, (light) fuel oil and electricity in 2013 amounted to 1.5 million tonnes and were therefore at the previous year’s energy input by energy source.

<table>
<thead>
<tr>
<th>Energy input by energy source ¹</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct energy sources</td>
<td>7,177</td>
</tr>
<tr>
<td>Natural gas</td>
<td>5,715</td>
</tr>
<tr>
<td>Coal</td>
<td>1,133</td>
</tr>
<tr>
<td>Diesel</td>
<td>284</td>
</tr>
<tr>
<td>Light fuel oil</td>
<td>21</td>
</tr>
<tr>
<td>LPG</td>
<td>8</td>
</tr>
<tr>
<td>Gasoline</td>
<td>9</td>
</tr>
<tr>
<td>Heavy fuel oil</td>
<td>4</td>
</tr>
<tr>
<td>Biogas</td>
<td>3</td>
</tr>
<tr>
<td>Indirect energy sources</td>
<td>2,059</td>
</tr>
<tr>
<td>Electricity</td>
<td>499</td>
</tr>
<tr>
<td>Steam</td>
<td>1,560</td>
</tr>
</tbody>
</table>

**Energy input by energy source**

1 Information refers to the continued operations of the K+S Group; the year 2009 as well as the years 2009 until 2010 also include the discontinued operations of the COMPO business and the Nitrogen business, respectively.

¹ In contrast to the previous reporting period, the energy sources diesel, gasoline and liquid gas are reflected in the calculation.

² The steam used is provided mainly by fuel surrogates.
Ozone-depleting substances are contained in our refrigeration facilities in the form of coolants in closed circulation systems, so that no ozone-depleting substances are released.

Due to the nature of the deposits, the mining and processing of potassium-containing crude salts in Germany is technically, in part, more demanding than in the case of our competitors in other countries. However, in addition to potassium (13 to 27% potassium chloride), our deposits also contain magnesium and sulphur (11 to 27% magnesium sulphate). This enables us to produce not only potassium chloride but also a series of high-grade speciality products for agriculture and industry.

**4.3 WATER AND WATER PROTECTION**

We are working continuously to reduce the use of water in our production plants and to lower our wastewater volumes still further.
desired grain size, and evaporated salt, which is produced from saturated brine. The brine is obtained by feeding freshwater into a salt dome via drill holes, as a result of which the salt dissolves and is then extracted as saturated brine. The water of the brine is vaporised and in this way the salt which is first dissolved is extracted as evaporated salt. No production residues occur.

Under corresponding climatic prerequisites, we also use the power of the sun, and extract salt by evaporating seawater. The seawater is fed into evaporation basins which are arranged one behind the other at a slope. The salt in the seawater is increasingly concentrated on its way through the basins. After a number of months of solar radiation, the crystallised sodium chloride can finally be harvested as a layer of salt several centimetres thick.

WATER WITHDRAWAL AND WATER SOURCES

In our production processes, we use various water sources. In accordance with the reporting system modified in 2013, we divide this into the categories of seawater, fresh water, groundwater and other water sources. / TAB: 4.3.1 / FIG: 4.3.2

In 2013, we used 134.2 million m³ of water (previous year: 146.8 million m³ of water). Seawater withdrawal amounted to 272.9 million m³. Specific water use amounted to 4.7 m³/tonne of product (previous year: 5.2 m³/tonne of product). We set ourselves the target of lowering this specific key figure by the end of 2014 to below 4 m³/tonne of product. / FIG: 4.3.1

WASTEWATER

We distinguish between saline wastewater (from production and tailing piles) which we either discharge into freshwater or saline water or inject into plate dolomite (Leine Carbonate) as well as wastewater from sanitary facilities.

In 2013, the volume of saline wastewater discharged into freshwater or injected totalled 12.1 million m³ or 0.43 m³/tonne of product (previous year: 12.1 million m³ or 0.43 m³/tonne of product). Of this, we discharged 8.8 million m³ or
In 2013, the amount of cooling water and process wastewater discharged amounted to 118.1 million m³ and is discharged into surface waters taking official approvals into consideration. Wastewater from sanitary facilities amounted to 414,500 m³.

On the assumption that we will have implemented the water protection measures in the Hesse-Thuringia pot-
Wastewater Management in Potash Mining

On the basis of existing approvals and in compliance with threshold values, we dispose of wastewater from production processes and saline water arising due to precipitation onto our tailings piles by discharging it into river waters and by injecting it into deeper rock strata. We either heap up solid residues (see also page 64) or bring them back into the mines underground.

At the Werra plant, we have already been steering the discharge of saline wastewater into the Werra via a computer system since 2000. As a result, we are succeeding in keeping to the officially set threshold value of 2,500 mg of chloride/litre of water. The steering process also takes account of factors such as fluctuating pre-existing harmful substances and variations in the flow of water in the river. / FIG: 4.3.4

Water-Law Permits

In order to be able to continue orderly local disposal by means of injection and discharge and, thus, continue the production of the Werra plant, we have applied for the necessary water-law permits. After we had received a new injection permit in 2011, valid until the end of November 2015, in November 2012, we were also granted a permit for the discharge of saline wastewater into the Werra for a further eight years until the end of December 2020. It is based on the discharge volumes applied for by us and linked to a step-by-step plan effective from December 2015 to lower the currently valid threshold values.

The biological developments in the waters, which are influenced not only by saline wastewater, will continue to be examined intensively and the findings made available to the public.

See comprehensive monitoring reports at www.k-plus-s.com/de/umwelt/gewaesserschutz/monitoring.html

Measures on Water Protection in the Werra Plant

In 2011, the implementation of the “package of measures on water protection” in the Werra plant commenced. All production sites of the Verbund plant – Hattorf and Wintershall in Hesse as well as Unterbreizbach in Thuringia – are included with construction measures, further process optimisation measures and plant expansions. By the end of 2015, we will thus lower the volume of saline wastewater to an average of 7 million m³ per year.

Measures by the End of 2013

At the Unterbreizbach site in December 2013, a plant for the cold preliminary decomposition of carnallite was put into operation. Considering the crude
In Unterbreizbach, we use hydraulic backfilling as a means of disposal. With this process, the rock salt residues from potash processing are mixed with a magnesium chloride solution, pumped underground and back-filled into the existing mine openings, which remained after the crude salt extraction. Due to geological peculiarities, these particularly high extraction chambers only exist at this site.

In 2008, the public and political discussion about the discharge of saline wastewater into the Werra led to the creation of the Round Table for “Water Protection Werra/Weser and Potash Production”. It was called into being by the federal states of Thuringia and Hesse together with k+S. Its main task was the development of proposed solutions to improve the water quality in the Werra and Weser. The criteria, goals and instruments of the European Water Framework Directive were also to be taken into consideration in an appropriate fashion, as were the economic interests of the region and the securing of the jobs affected there. In February 2010, the Round Table made its recommendation.

Since 2011, the Round Table has been continued as a platform of dialogue and information – k+S has also committed itself to it. The concern is to examine the issues of water protection as a whole. For the decline in salt contamination during the last decade and the measures planned in this regard have directed attention towards further contamination factors, e.g. high nutrient contents (phosphorus and nitrogen), structural deficits due to riverbank straightening and barrages, and insufficiently treated wastewater. More information also at www.runder-tisch-werra.de

With the commissioning of the three new plants, about 90 per cent of the saline wastewater reduction aimed for by the end of 2015 is being achieved. At the end of 2014, the volume will therefore be reduced from about 14 million m³ in 2006 to about 8 million m³ per year. A further element of the package of measures involves laying the foundations for further cultivation of the subsoil. To that effect, in previous years, we developed complex hydrogeological simulation models and expanded the large network of observation boreholes and groundwater measuring points.

More capital expenditure projects are currently being planned at the Hattorf and Wintershall sites.

We favour a local solution to the long-term disposal of production residues, which – given the current state of the art – are unavoidable. However, for reasons of forward-looking due diligence, we are also working on approval processes for supra-regional disposal options, i.e. the construction of pipelines to the North Sea or the Upper Weser. For both options, applications have in the meantime been submitted to the responsible authorities in Hesse and Lower Saxony.

It will, however, at the earliest be decided about the construction of a pipeline when the test criteria for pipelines are complied with, which were defined by the federal states of Hesse and Thuringia and accepted by the Round Table. Until today, this is not, however, the case.

**SALINE WATER PIPELINES**

**TEST CRITERIA FOR PIPELINES**

+ There must be sufficient and documented common political will at both federal state and national levels.
+ The construction and operation of the pipeline as well as the discharge of saline solutions must be approvable in the long term.
+ The measure must be ecologically meaningful in terms of the water quality criteria of the European Water Framework Directive.
+ The construction and operation of a pipeline have to be economically viable and proportionate.
tion has now been replaced by a more environmentally compatible and more economic transportation route. Each year, an average of 700,000 m\(^3\) of saline wastewater will flow through the pipeline and be disposed of in accordance with the discharge permit of the Werra plant. This volume has already been taken into account in the package of measures for the reduction to 7 million m\(^3\) per year. Therefore, it does not cause an increased amount of wastewater to be discharged into the Werra.

### 4.4 Compensatory Measures and Nature Conservation

Solid production residues occurring during the mining of potassium and magnesium are piled up on areas prepared for that purpose. Contributing to safe tailings pile operations are measures such as underground sealing, absorption and controlled disposal of saline tailings pile wastewater, the permanent monitoring of groundwater, as well as dust measurements in the surrounding area.

### Comprehensive Compensatory and Substitute Measures

In accordance with the German Federal Nature Conservation Act (Bundesnaturschutzgesetz), compensatory and substitute measures are an integral part of an approval for tailings pile expansion. They are generally agreed with the nature conservation authorities as well as the owners and communities concerned. Associations for nature conservation also have the possibility of proposing projects to the authorities.

At present, approval procedures for the expansion of the Zielitz, Hattorf and Wintershall tailings piles are underway, with the involvement of the general public. For the tailings pile expansion processes in Hattorf, Wintershall and Zielitz, compensatory and substitute measures are planned, such as arable land extensification, forest conversion and water revitalisation or restoration, as well as measures to protect species and replacement forestation.

### Compensatory Measure Promotes Broad Biodiversity

The Neuhof-Ellers potash plant supports the upgrade of the nature conservation value of a 24-hectare area at the edge of the Wildflecken military training area. Here, the conifers are removed from mixed woodland so that the deciduous trees can develop better. What is special about the project: The forest will then stay unexploited for almost a century, thus favouring a broad biodiversity. The compensatory and substitute measure is associated with the already approved expansion of the tailings pile of the Neuhof-Ellers plant.
K+S is carrying out a number of projects to cover and revegetate smaller tailings piles, partly in cooperation with the University of Kassel. After they have been covered completely and grass has been planted, rainwater is no longer able to reach the residues, as a result of which saline tailings pile runoff is prevented.

+ At the site of the former potash plant at Friedrichshall in Sehnde/Lower Saxony, a plant for the recycling of building materials is being operated in order to cover and landscape the tailings pile. The tailings pile will be completely covered after 15 to 25 years of operation of the plant – depending on the available amount of covering material.

+ The growth of natural vegetation is being promoted on a small tailings pile at the Wintershall site, through revegetation. In contrast to most of the large tailings piles, where planting is not possible due to, among other reasons, the fact that the surface consists of salt, this tailings pile for the most part consists of the hardly soluble gypsum mineral anhydrite, which contains hardly any rock salt. In future, a biotope is to be created on the site.

+ Further measures for the covering of tailings piles, which may in the event of positive results also be suitable for large tailings piles, are currently being prepared and will be trialled. However, it is hardly to be expected that the large tailings piles could be covered extensively in the foreseeable future.

4.5 AFTERCARE IN MINING

CLOSURE PLANS

The procedure for a partial or complete closure of a mining operation in Germany is regulated by the German Federal Mining Act (Bundesberggesetz). A wind-up plan must be drawn up well in advance, which is examined and approved by the authorities. Mining control ends when the wind-up plan has been carried out and all requirements fulfilled.

There are detailed plans available for all active sites in the United States and in Canada, as to what aftercare is to look like in case a site is closed. The scope of the measures depends on the method of extraction. The basic rule is: Possible environmental damage must be remedied and contamination disposed of. Sites that operate solution mining are also obligated to completely deconstruct the technical equipment and to seal drill holes, in order to protect the groundwater. With regard to the solar salt site at the Great Salt Lake, the original state of the area is largely to be restored after the site has been closed down.

In Chilean open-cast mining, after a mining area has ceased to be used, the plants and any residues must be removed and the edges of the mine secured by leveling the differences in height. No complete backfilling is necessary.
PROGRAMME FOR THE AFTERCARE OF DISUSED PLANTS IN GERMANY

Already at the end of the 1990s, we developed a long-term programme for the targeted deconstruction of disused sites. The expenditures for this amount to over €140 million so far. The programme covers 28 disused sites in Lower Saxony, one of them a reserve mine, as well as one site each in North Rhine-Westphalia and Baden-Württemberg.

FLOODING OF MINE CAVERNS

For each site, in accordance with the German Federal Mining Act and in consultation with the nature conservation authorities as well as with the representatives of the local communities, it has to be carefully considered whether and how the existing facilities can be put to further use. If no reasonable re-use of the mines is possible, we are under an obligation to flood the remaining caverns of the steep-gradient potash mines located in Lower Saxony. Already during the operating phase, parts of the excavation caverns were backfilled there in accordance with official requirements. Finally, the shafts are to be filled with hard rock material to secure the ground surface, the former surface operational areas are to be examined and possible contamination is to be removed. At present, seven sites in Lower Saxony are in the process of being secured, and at 20 sites this has already been completed.

MAINTAINING DISUSED POTASH TAILINGS PILES

Additionally, 41 disused tailings piles in Lower Saxony and two in Baden-Württemberg are being maintained. At present, 15 of them are greened, another six are in the process of being greened. Eleven smaller tailings piles have been removed so far and three have been partly deconstructed.

EXAMPLES OF SUCCESSFUL RE-USE

+ In 1992, potash production was ceased in the Salzdtefurth plant in Lower Saxony. Since 1993, a company has been producing a variety of cat litter there. Since 1995, a further company has been producing a pre-product for these animal hygiene products at the plant site.
+ In 1991, we opened an adventure mine in the former Merkers potash mine in Thuringia. Visitors gain an insight into a mining company and learn what they need to know about the exploitation of raw materials, geology and German history.

/ FOR MORE DETAILED INFORMATION visit www.erlebnisbergwerk.de
WORKING TOGETHER

ACCOMPANYING TRANSFORMATION AND PROMOTING INTEGRATION / Career planning systematised and more transparent / Protecting employees against work-related dangers / Number of employees almost stable / Personnel expenses slightly below previous year / Training ratio at high level of previous year
5.1 PERSONNEL MANAGEMENT

As a result of focusing on our two-pillar strategy (see page 13) and the expansion of our business in North and South America, we have placed ourselves on an even broader international base. In this context, other corporate cultures and ways of thinking have enriched the Company. The task of our personnel management was and is to accompany this transformation and promote integration. We are currently building up an integrated personnel management system to be able to also support our employees throughout the Group and to deploy them in the best possible manner.

In future, career planning at K+S will thus be systematised further and at the same time also be made more transparent for the employees (see page 75). We want our employees in all phases of their professional life to know not only the demands placed on themselves but also their opportunities for developing further and therefore to be able to get more involved in this process. Last but not least, the results of the employee survey (see below) have shown that there is a need here. In the coming years, we will be creating necessary prerequisites for this, such as an international job market.

Apart from these global targets, individual companies of our Group are also focusing on regional challenges. In Germany, for example, as a result of demographic change, the focus is on gaining new employees at an early stage. For K+S POTASH CANADA, the main challenge is to gain and qualify employees for upcoming specific challenges of the Legacy Project.

5.2 PERSONNEL KEY FIGURES

NUMBER OF EMPLOYEES ALMOST STABLE

As of 31 December 2013, the K+S GROUP employed a total of 14,421 employees (FTE). Compared with 31 December 2012 (14,362 FTE), the number thus remained roughly the same. In the Potash and Magnesium Products business unit, there was a slight increase in the number of employees in order to maintain the volume of crude salt extracted, for intensifying activities in the area of environmental protection as well as for the Legacy Project in Canada. / TAB: 5.2.1

INTERNATIONAL WORKFORCE

Approximately 70% of our employees are employed in Germany (with the focus on Hesse, where about half of the German workforce works). Of our employees, about 3% work in other European countries. The share of employees in North America is over 21%, and in South America over 6%. / TAB: 5.2.2

AVERAGE AGE IN THE K+S GROUP

At present, the average age of our employees is 42 years. There are significant differences on an international comparison. While K+S CHILE has a relatively young...
workforce – average age: 39 years, the average age of Morton Salt employees is 48 years. At ESCO it is 42 years and at K+S KalI 41 years. / FIG: 5.2.1

**ANALYSIS OF AGE STRUCTURES**

We have developed specific demographic profiles for our German sites. They are the result of an analysis of age structures taken from 2012. The proposals derived from this for measures in the areas of advanced education, training/retraining, management development or the safeguarding of the ability to work are taken into consideration by the heads of personnel in their planning.

Due to the relatively high average age, Morton Salt – in addition to the work of the K+S personnel committees – conducts its own talent review every year, in which the present and the future demographic composition of the workforce is analysed and the succession plans are correspondingly updated and adjusted. All management positions, engineering functions and other key positions are included in the review process.

In 2013, expenditure on wages and salaries totalled € 738.6 million (−2 %) and expenses for social security contributions € 200.3 million (−2 %). Our expenditure on company pensions amounted to € 29.3 million in the year under review and was thus € 0.1 million above the level of the previous year.

During the year under review, personnel expenses per employee amounted to € 67,483 (previous year: € 68,492) and thus fell by a good 1 %. This is attributable in particular to lower variable remuneration. / FIG: 5.2.2

**PERSONNEL EXPENSES SLIGHTLY BELOW PREVIOUS YEAR**

In 2013, the personnel expenses of the K+S Group were € 968.2 million and, thus, slightly below the level of the previous year (2012: € 986.2 million). While expenditure arising from pay settlements under collective bargaining agreements rose and personnel expenses increased due to a higher average number of employees, costs declined as a result of exchange rate factors and accruals for performance-related remuneration fell. Without provision effects, pure personnel costs fell in comparison with the previous year for the same reasons by € 19.9 million or 2% to € 974.3 million. In the previous year, the share of variable remuneration in personnel expenses was € 40.1 million or about 4% (2012: € 71.4 million or about 7%).

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**HIGH LEVEL OF LOYALTY TOWARDS THE COMPANY**

On average, our employees are employed by us for 16 years. The turnover rate – it is the ratio of departures to the average staffing level – is 4.3 %, taking only resignations into account, it is 1.6 %. These key figures document the high level of loyalty of our employees towards the Company.

At 5.9 %, the rate of sickness in Germany in 2013 was at the previous year’s level.
Our working hour models are orientated towards the requirements of production processes and are characterised by a high level of flexibility. The production sites work in one-, two- or three-shift operation as well as in fully continuous shift systems (three shifts a day; seven days a week). For the employees at the production sites of ESCO and K+S CHILE, there are annual working time accounts, so that the companies are able to react with flexibility to seasonal demand peaks. Employees earn working time credits in the months with high production, which they can then use up out of season.

At present, just under 2% of our employees are working part-time. The overtime rate across the Group was 1.7% in 2013 (2012: 1.8%).

**Flexible Working Hour Models**

Working hours in the K+S Group are based on the particular national circumstances, taking account of core labour standards of the International Labour Organization (ILO). The average working hours of our employees in Germany and in North America are 40 hours a week. While our employees in France work an average of 35 hours a week, the weekly working hours in Chile are 45 and in Brazil 44 hours.

SUBCONTRACTED AND TEMPORARY WORK

On an annual average, K+S employs 360 people in Germany within the framework of temporary employment, the number is therefore at the level of the previous year (Ø 341 temporarily employed). With regard to temporary employment, K+S works exclusively with temporary employment companies which apply the pay-scale agreements of the temporary employment sector (GZ, BZA and IG BCE). The remuneration practice is based on the above-mentioned pay-scale agreements.

In 2013, K+S CHILE employed 850 people in temporary work. Rights and obligations of temporary workers are strictly regulated by law in Chile, in order to achieve...
approximate contractual equality between regular staff and temporary workers.

**Working Time Honour System**

About 14% of our workforce in Germany work according to a working time honour system. The working time in this model is orientated towards the actual volume of work to be done and strengthens the employees' sense of personal responsibility. Moreover, it makes it easier to combine professional and family life.

**Parenting Absence and Promotion of Reintegration**

Since the introduction of the Parental Benefit Act in Germany, we have observed that employees are already back at work from parenting absence on average after one year. Also, more fathers are choosing to benefit from parenting absences. We support these employees with family-friendly measures. These include individual part-time working models, additional release periods possible for cases when employees have to provide urgently needed care, advanced education available to employees during parenting absences and, last but not least, our own children’s day-care facility at the Kassel site.

**Combining Professional Life and Nursing**

If relatives are in need of nursing, families must deal with a number of questions on nursing care insurance, accommodation facilities, orders and powers of attorney as well as financing. In such cases, K+S supports employees in Germany with the offer of comprehensive gratuitous consulting by a cooperation partner.

Companies in Chile and Brazil with more than 20 female employees are obliged either to organise a nursery system within their companies or to finance the attendance of employees’ children at state-approved nurseries for two years. At our sites there, we have decided on the financing of external nursery places. Apart from that, in Chile, we cover part of the school fees for employees’ children who attend private schools with flexible child care provision.

**5.3 Diversity and Equality of Opportunity**

The diversity of our employees is a factor in our commercial success. We respect internationally recognised human rights and act in accordance with the laws of the countries in which we operate. We reject every form of child labour and forced labour. Equality of opportunity and the rejection of every form of discrimination are a matter of course for us. We have established this in our Core Values and Principles.

Moreover, we are a joint signatory to the **Charter of Diversity**, whose patron is Federal Chancellor Angela Merkel.

**Management Guidelines Provide Orientation**

The management culture of the K+S Group is based on mutual trust. This is the prerequisite for a committed, cooperative partnership and it thus contributes to the Company’s success. Management behaviour basically takes place in dependence on situations and people and cannot therefore be comprehensively regulated in
a guideline. It is nevertheless important for us to define the most important basic principles. For senior management, they are the standard for their dealings with their employees. They give employees the certainty that the management at K+S follows clear and binding principles independently of a particular superior.

Further information can be found at www.k-plus-s.com/en/vision-und-werte/fuehrungsleitlinien.html

EQUAL RIGHTS OF ALL EMPLOYEES

At all German sites, we have set up complaint offices in accordance with Sec. 13 of the German General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz – AGG). No complaints were received in 2013.

Our US companies have to demonstrate in accordance with the “Affirmative Action Program” that the composition of the workforce at their sites corresponds to the population structure of the respective region. Our Canadian companies are subject to the Canadian Human Rights Act and the Employment Equity Act, which ensure that “First Nations” and minorities are not disadvantaged in employment relationships.

K+S POTASH CANADA is working to develop a representative workforce which includes “First Nations”, visible minority populations, women and disabled persons. The company maintains close relations with the Legacy Project’s neighbouring communities, where many indigenous people live. In 2013, K+S POTASH CANADA trained potential local suppliers in the company’s standards.

While there were no complaints at K+S POTASH CANADA and K+S CHILE in 2013, MORTON SALT received two complaints in the United States and one in Canada. These are currently being discussed.

PROMOTING INTEGRATION

In 2013, severely disabled employees accounted for 7.0% of the workforce in Germany (2012: 7.5%). The K+S GROUP is thus significantly above the German national average. In close cooperation with the authorities and our representatives for severely disabled persons, we reserve workplaces adapted for disabled persons, thus fostering the integration of these employees. Twelve persons in a position of trust represent the interests of severely disabled employees at the German sites.

PROPORTION OF WOMEN IN MANAGEMENT POSITIONS

In 2011, K+S signed up to a voluntary commitment on the part of the 30 DAX-listed companies to increase the proportion of women in management positions. In Germany, by 2020, we want to increase the number of female managers by about 30%. The proportion of women in management positions would then be around 10% and correspond to the proportion of women in the total workforce of K+S in Germany.

In 2013, the proportion of female employees in the K+S GROUP WAS 11.7% (2012: 11.7%), in Germany 9.1% (2012: 8.9%) and at administrative sites on average 37.9% (2012: 40.4%). The proportion of female managers across the Group was 13.0% (2012: 11.3%) and in Germany 11.2% (2012: 10.0%). We are thus within the target range with regard to the voluntary commitment. We want to maintain this level in the coming years.

However, for us a proportion is not the measure of all things. In principal, we fill vacancies with the most suitable candidates. A strictly gender-neutral recruitment, selection and appointment process is a matter of course for K+S.

It is our ambition to interest more women in technical professions. Women in Germany make up the majority of high-school and university graduates, but only a comparatively small number of them decide on technical and mathematical/natural science training and study courses. We are therefore specifically seeking to recruit graduates in MINT study courses (mathematics, informatics, natural sciences and technical science). In summer 2010, we began to train our first female mining technologists. Pursuant to legal regulations (Section 64a of the German Federal Mining Act – BBergG), these traineeships were reserved for male employees until 2009.
5.4 TRAINING

For K+S, vocational training is an important investment in the future. Our training activities are also a commitment to Germany as a location, which, as a competitive industrial base, needs new generations of well-trained specialists.

We only describe our German training system here, since dual training is not known in other countries in which we are represented.

K+S PROMOTES MINT

Since 2013, we have been a partner in two initiatives throughout Germany: “Creating a MINT future” (aimed at pupils) and “MINT yourself in”, the national pact for women in MINT professions. The aim of the latter is to discover and promote women’s aptitudes for technical and scientific professions. We have also appointed 24 employees from different sites as “MINT ambassadors”. Their task is to familiarise pupils with the diversity of MINT professions through events, lectures and visits to plants. With “K+S Promotes MINT”, we intend not only to increasingly recruit a new generation of graduates in the mathematical and technical field, but also to already interested children and young people for the natural sciences. Further information can be found at www.mintzukunftschaffen.de and www.komm-mach-mint.de

TRAINING RATIO AT A HIGH LEVEL

As of 31 December 2013, 602 young people at 9 sites prepared themselves to start their careers in 14 training professions at K+S in Germany, of whom 167 trainees were taken on in 2013. At the end of the year, the training ratio was, at 5.9%, at the high level of the previous year. Whereas in the commercial and chemical professions there is an even number of female and male trainees, the proportion of male trainees predominates in the industrial-technical professions.

In total, we have invested €14.7 million in training (2012: €15.3 million). Of this, €10.9 million were spent on personnel expenses and €3.8 million on material costs. The decrease is to a large extent attributable to lower personnel expenses as a result of a lower performance-related remuneration. / TAB: 5.4.1

After their final examination, the trainees stand a good chance of obtaining a permanent position at K+S if they have performed correspondingly professionally and are personally suitable. In recent years, we have taken on about 90% of our trainees.

TRAINING MARKETING INTENSIFIED

To present ourselves as an attractive employer, we appear at vocational training fairs and in schools in the vicinity and organise information evenings at the sites. We also convey our training content by video. / FURTHER INFORMATION can be found at www.k-plus-s.com/de/audio-und-video/ausbildung.html

CURRENT SCHOOL PARTNERSHIPS:
+ The Bernburg plant is working together with the municipal high school Carolinum: “Steps to work” provides practical vocational and studies guidance.
+ The Neuhof-Ellers plant and the girls’ high school Marienschule in Fulda have initiated a joint MINT project.

<table>
<thead>
<tr>
<th>TRAINING RATIO K+S GERMANY</th>
<th>2013</th>
<th>2012¹</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees in FTE on 31 Dec.</td>
<td>10,128</td>
<td>10,050</td>
<td>10,010</td>
<td>9,762</td>
<td>10,198</td>
</tr>
<tr>
<td>of which trainees</td>
<td>602</td>
<td>607</td>
<td>631</td>
<td>618</td>
<td>649</td>
</tr>
<tr>
<td>Training ratio in %</td>
<td>5.9</td>
<td>6.0</td>
<td>6.3</td>
<td>6.3</td>
<td>6.3</td>
</tr>
</tbody>
</table>

¹ Employees from continued operations
The Sigmundshall plant enables pupils of the secondary school Loccum to get to know the site during a two-week period of practice.

The Werra plant works together with the Jacob-Grimm-Schule in Rotenburg and the model school Obersberg and awards internships for pupils particularly gifted in the natural sciences.

The Zielitz plant is supporting the “Vocationally-oriented Workshops” project of the Gutenbergschule Wolmirstedt.

5.5 PERSONNEL DEVELOPMENT

Our objective is to develop and use our employees’ potential in the best way. We want to fill our specialist and management positions primarily from our own ranks and make a long-term and attractive career possible for our employees. In order to ensure the group-wide succession planning in Germany and abroad across all business units, we initiate the measures necessary to achieve this in good time.

Expenses for personnel development in Germany amounted to about € 13.1 million and thus decreased by 12% (2012: € 14.9 million). Of this, € 9.3 million was accounted for by advanced education (2012: € 11.2 million) and € 3.5 million by further training measures (2012: € 3.4 million). We spent € 0.3 million (2012: € 0.3 million) on personnel marketing.

Morton Salt invested € 1.8 million (2012: € 1.8 million) in personnel development, K+S POTASH CANADA € 0.2 million (2012: € 0.12 million) and K+S CHILE € 0.3 million (2012: € 0.2 million).

GREATER INVOLVEMENT OF EMPLOYEES

The results of the global employee survey (see page 69) have caused us to define personnel development as one of two global fields of action. As a result, the further development of our talent management has been given fresh momentum.

The personnel committees of the sites and business units, the personnel commission and the personnel conference all meet at regular intervals to evaluate employee potential and to give proposals to the superior body in each case. This process is to be expanded in 2014: The employees are to be given more possibilities of defining their own career targets and receiving feedback on their potential. In the planning of development measures too, they will be more closely involved than before.

SECONDMENT TO OTHER COUNTRIES

By seconding employees to Group companies in other countries, we promote cooperation and knowledge transfer within the K+S GROUP and strengthen the professional and intercultural competence of our employees. As of 31 December 2013, 60 expatriates (2012: 68) were seconded to 11 countries. The slight decrease is attributed to the fact that the IT integration of Morton Salt and the first phases of the Legacy Project are completed.

TRAINEE AND NEW-TALENT PROGRAMMES

Since 2009, we have been expanding our programmes for new academic talent and by now offer around 25
In the previous year, we introduced an international trainee programme which systematically prepares employees at sites in Germany, Chile and the United States for responsible positions in our international Group. Further information can be found at www.k-plus-s.com/en/absolventen

**GRANTS AND INTERNSHIPS**

In Germany, some 300 people each year take advantage of the possibility of getting to know our Company through internships or in connection with the preparation of a bachelor’s or master’s dissertation. We have earned the quality seal of the “Fair Company” initiative from the “Junge Karriere” (Young Career) portal. Further information can be found at www.karriere.de/beruf/fair-company

**K+S RECEIVES SILVER SEAL FOR OUTSTANDING RECRUITING**

The Career’s Best Recruiters study distinguished K+S by awarding it second place and the Silver Seal in the chemicals industry. In the overall ranking of Germany’s 500 top employers, K+S is therefore in 61st place. The annual study praises the particular quality of targeting applicants and applicant management. K+S was convincing both within the industry and in the overall ranking in all four criteria: online presence, job advertisements, contacts with applicants and applicant feedback.

In particular for young engineers, our sites in the United States, in Canada and in Chile also offer different paid internships, depending on the site.

**FURTHER TRAINING AND ADVANCED EDUCATION**

We provide selected employees from the technical and mining sectors of our German companies with further training at the Technical College for Economy and Technology in Clausthal-Zellerfeld to become a technician or a more advanced qualification bringing with it the prospect of a management career. At present, 59 employees are completing their two-year technical training, and 13 employees are qualifying as engineers.

Moreover, we are awarding grants to our employees for full-time bachelor’s or master’s studies. These employees can complete the necessary internships or working student activities at our sites. They continue to belong to the Company throughout their studies. The number of grants is based on the needs of the Company. At present, 19 employees are participating in “K+S StudiumPlus”.

Our companies in the United States, in Canada and in Chile reimburse the tuition fees, fully or in part, of those employees who are, upon consultation, being further trained relevantly to their profession at a university recognised by the Company.

These programmes offer employees the opportunity to develop their potential and provide us with an additional opportunity to cover the increasing need for specialists and managers in the technical area.

**BROAD RANGE OF ADVANCED EDUCATION**

In annual or employee talks, superiors and employees jointly determine the possible need for advanced education. In addition to advanced education measures that are required by law, K+S also offers vocational, interdisciplinary, IT and language training, as well as special seminars for managers. Employees receive direct support for new and complex tasks by means of process-accompanying training measures. In order to be able to successfully meet the challenges posed by the internationalisation of the Company, we are also purposefully further developing the communication and understanding of intercultural skills.

While the employees in Germany and South America generally receive on-site advanced education, in the United States and in Canada, due to the large number of sites and geographical circumstances, the majority of training takes place online.

We not only support new talent but also our experienced employees, in order to expand their know-how throughout their entire professional life. Last year, more
than 40% of the participants in advanced education measures in Germany were over the age of 40.

In 2013, our employees in Germany completed a total of 7,540 advanced education measures (2012: 8,646), of which 10% involved senior management training. Thus, the average number of training hours per year and employee was 10.4 hours.

5.6 COMPANY HEALTH MANAGEMENT

K+S attaches particular importance to preserving and improving employees’ health and achievement potential. That is why we support the employees in health-conscious conduct and design jobs and organisational procedures in a health-related and age-appropriate manner as far as possible. To do so, we have defined seven fields of action in company health management. The derived measures vary depending on the site and are dependent on particular national legislation.

In 2012, we formalised the principles, aims and organisational structures of our company health management in a guideline. This applies firstly to K+S companies in Germany, because it combines legal requirements with the Company’s voluntary services. In accordance with the guideline, in February 2013, the health management committee started its activities. The first task is to develop a uniform indicator system throughout Germany for controlling health measures to replace the collection of site-specific data in the medium term.

In dialogue with our companies in North and South America, we want to improve understanding for local processes and conditions. On the basis of this knowledge we will decide which standards can meaningfully be defined and implemented group-wide.

1. PREVENTIVE OCCUPATIONAL MEDICINE AND CONSULTING

Preventative programmes help to recognise health problems at an early stage and thus reduce the risk of occupational diseases or work-related dangers to health.

2. PREVENTION AND COMPANY HEALTH PROMOTION

Worldwide, we offer our employees measures to promote health, health days and topic-specific information events. This includes nutrition consulting, anti-smoking programmes, stress management and relaxation programmes, colon cancer screening and courses on back health and diverse forms of sport.

3. ERGONOMICS, WORK AND ORGANISATIONAL DESIGN

Ergonomic, health-related and age-appropriate working conditions have a positive influence on the physical and mental health of employees and thus help them to maintain their efficiency. The conditions are therefore reviewed at periodic workplace inspections and possibilities of improvement are indicated. Moreover, the employees are trained to arrange their computer workstation ergonomically.

4. HEALTH-RELATED MANAGEMENT BEHAVIOUR

Since management behaviour has an influence on the motivation and commitment of the employees, managers are supported in their task by relevant qualification offers.

K+S is a signatory to the Luxembourg Declaration on Workplace Health Promotion in the European Union and a member of the network. This disseminates examples of best practices and establishes national forums and networks. Further information can be found at: http://www.netzwerk-unternehmen-fuer-gesundheit.de/luxemburger-deklaration.html

K+S Potash Canada has set up so-called health accounts for all employees. Everybody can decide which fitness offer to take advantage of and can use the money available on his or her account for this purpose.

Employees of K+S Potash Canada have a health account

Network for Health

K+S is a signatory to the Luxembourg Declaration on Workplace Health Promotion in the European Union and a member of the network. This disseminates examples of best practices and establishes national forums and networks. Further information can be found at: http://www.netzwerk-unternehmen-fuer-gesundheit.de/luxemburger-deklaration.html

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Family-friendly work structures, room for diversity and individually designed offers for combining professional life and family (see also page 71) form a good basis for commitment and employee satisfaction.

Qualification and Development of Health Competence
Qualification (see also page 76) and lifelong learning are an important prerequisite for good and long-term work and achievement potential. Special seminar programmes also offer employees the possibility of developing their health competence.

Company Integration Management
After a repeated or longer illness, company integration management encourages the employee's employability, supports the process of reintegration into professional life and should prevent renewed incapacity to work, for example by an individually adjusted job or flexible working hours.

5.7 Work Safety
Our goal is to protect our employees against work-related dangers. At the same time, however, every employee bears responsibility for his own safety – and that of his colleagues – at his work and in his working environment. Our senior management is a role model in this.

All K+S companies have established work safety programmes which take into account local legislation and site-specific challenges. We review the effectiveness of our occupational safety measures by means of internal audits. Technical and organisational corrective measures are derived from any deviations from standards and documented. Our audit procedure is geared towards the requirements of ISO 19011:2011 and is regulated in a procedure instruction.

Prevention and Dialogue
We promote safety awareness among our employees with regular company-internal specific instructions and

K+S Chile Supports a Change of Diet
K+S Chile offers its employees a programme for reducing weight and for a healthier lifestyle. Employees signing up for it first undergo a medical examination to reveal existing risk factors for cardiovascular disease. A nutrition expert then prepares an individual diet plan and provides support for the employee during the change of diet. Moreover, staff canteens expand the range of balanced, low-fat dishes.

Morton Salt Has a Programme for Everybody
After Morton Salt had, in 2012, recorded existing health promotion activities at its US American and Canadian sites, in autumn 2013, the “Healthy Guidance” programme was drawn up. All employees now have access to the same offers.

Comprehensive Assessment of Workplaces
A specification of the German Occupational Safety and Health Act (Arbeitsschutzgesetz) of September 2013 obligates employers, when assessing the risk of workplaces, to also identify mental stress and derive appropriate protective measures. In 2014, we will set up a pilot project for this purpose. It should provide information about which investigative tools are suitable and show the associated mental stress for initially selected activities.

Sites Cooperate with Rehab Establishments
As a result of cooperation with clinics for medical and occupation-related rehabilitation, the Werra plant was able to improve the reintegration of employees who had fallen ill. In 2013/14, this offer is being extended to other German sites. It accompanies our existing courses of action with respect to reintegration and gives employees who have fallen ill not only the possibility of faster therapy, but also a treatment plan which takes into consideration the requirements of the particular job.
training events. In doing so, we make increasing use of audio-visual media and computer-based training. We also train employees from external companies before they start work with regard to the specific dangers in our establishments and in aspects relevant to safety.

In 2013, we adjusted the “Questions and answers on occupational safety and health protection” competition, well established in German sites, to the latest production and safety-related realities. The catalogue of questions now concentrates more on individual workplace situations, so that the learning effect for the individual employee is higher.

For years now, an international dialogue has already been established among our experts in occupational safety. In places where it is possible and meaningful, we want local systems and mechanisms to be superseded by uniform group-wide ones.

MINING ACCIDENT IN UNTERBREIZBACH POTASH PLANT

Our far-reaching safety measures with regard to underground crude salt extraction take decades-long experience into consideration and factor in all conceivable risks as far as can be judged. Nevertheless, on 1 October 2013, a tragic mining accident occurred in our Unterbreizbach mine, in which three miners lost their lives, even though they had been about seven kilometres from where the blasting took place. The cause was a gas outburst (carbon dioxide) during extraction blasting about 700 metres deep – the biggest of its kind since the start of potash mining in the Werra district.

We did not consider the occurrence of an outburst with such effects to be possible. After a thorough evaluation of the causes of the outburst, the safety precautions will be reviewed and, if necessary, adjusted. The final results of the investigations conducted by public authorities were not available at the time this report went to press.

The accident shows us that despite constant advances in the safety technology used in mining, there can be no absolute safety, especially not in the case of gas outbursts. Our mine rescue brigade has proved its worth as an essential element of the safety concept at the plants. In the future too, we will continue to train it and regularly update its training as best as possible and ensure technical equipment at the highest level.

NUMBER OF ACCIDENTS AT WORK AT PREVIOUS YEAR’S LEVEL

In 2013, at our sites, 879 injuries (2012: 975) occurred, as did 210 accidents at work (2012: 214) with working hours lost. The average number of working hours lost per accident at work was 16 calendar days (2012: 21). The “accidents at work with working hours lost per one million working hours” key ratio was 8.5 (2012: 8.6).

Unfortunately, we had to record the accidental deaths of five employees in 2013. In addition to the three miners who lost their lives underground in Unterbreizbach, two employees receiving advanced education died in a car accident. In addition, one employee of an external company died in an accident.
5.8 Participation in the Company’s Success and Pension Scheme

Variable Remuneration Systems

We enable our employees to share in the success of our Company in the form of variable remuneration. In this way, we strengthen their interest in a positive commercial development of K+S. This variable remuneration system is orientated towards the earnings situation of the Company and thus contributes to the reduction of risk in the event of declines in earnings.

The variable remuneration is paid to employees in Germany covered by collective pay agreements in two instalments: the first part in November of the current year, the second in April of the following year, after the presentation of the annual financial statements. The remuneration of the employees covered by collective pay agreements of our foreign companies corresponds to the respective national laws. However, across the Group, K+S has defined minimum standards regarding the amount and adjustment of remuneration.

Our managers and non-pay-scale employees not in management positions are remunerated as of last year in accordance with a group-wide uniform system. This takes into consideration not only the success of the Company, but also personal performance in relation to agreed objectives.

Employee Share Ownership Programmes

We offer the employees of the participating German Group companies employee shares. The employer is promoting this investment by increasing it on a percentage basis. Of all employees, about 20% took up the offer in 2013 (2012: 25%); more than 144,000 shares were issued. As in the previous year, K+S spent €1.2 million on this programme (including the employer’s share of the social security contributions). We have also offered a comparable employee share ownership programme to the employees of our foreign Group companies in Europe; of these employees, 5.4% (2012: 6.5%) took up the offer in 2013.

Company Pension Scheme

We support our employees in securing their standard of living in old age by offering various possibilities for individual provision with our Company pension scheme. Each employee of the participating German companies receives an employer supplement corresponding to 13% of the sum that he pays from his remuneration attracting social insurance into one of the three models leading to a Company pension scheme offered by K+S.

K+S Potash Canada Develops Safety System

K+S Potash Canada is legally obliged, by the time of commissioning of the potash plant in 2016, to establish and document a comprehensive safety system. In 2013, the development of an “early cavern development” (ECD) operational plan commenced. The so-called HazID (hazard identification) and HazOp (hazard and operation) studies are at the heart of this plan. This internationally widespread method identifies potential risks to operational safety by means of simulation, so that measures can be developed to eliminate or minimize them. Whereas the HazID study was completed in 2013, the HazOp study is planned for 2014.

Pay-Scale Agreement Signed

In December 2013, the VVKS (Association of the Potash and Salt Industry) and the iGKB (Mining, Chemical and Energy Industries Union) signed a new pay-scale agreement which will be introduced at all German sites in the next two years. As a result of this agreement, the employees’ remuneration will be adjusted to the technical and social development. The system, based on requirements and performance, consistently implements the principle of “equal pay for work of equal value”.

After careful examination of the national laws and the practical possibilities for implementation, we have decided, due to the disproportionately high level of administrative work, not to introduce either an employee share ownership programme or an alternative form of employee involvement in the North and South American Group companies for the time being.
2013, K+S spent a total of €2.5 million on this (2012: €2.3 million).

The pension scheme for the employees of our US-American and Canadian companies consists of a defined contribution pension savings plan, which is predominantly financed by the employee and is subsidised by the employer.

Whereas in Chile state and private pension systems complement each other, Brazil only has a state pension system. In Chile, we do not offer a Company pension scheme, but we advise our employees on how to select a pension that suits their personal situation.

5.9 CO-DETERMINATION

We respect the freedom to join or not join trade unions and the right to collective bargaining. We involve employee representatives in important decisions. We are convinced that informed employees are better motivated and more ready to share the consequences of difficult decisions, which will therefore be implemented more quickly and, above all, more efficiently. Co-determination promotes and presents a challenge for taking on responsibility, not only in the short term, but also in the medium and long term.

DEGREE OF ORGANISATION OF OUR EMPLOYEES

At K+S in Germany, corporate co-determination is represented by 15 elected works councils with a total of 149 members. The highest body of the employee representatives is the joint works council, which is supported by three Company committees and ten topic-related committees. Approximately 85% of our employees in Germany are members of trade unions. The relationship between K+S and the works councils as well as with the Mining, Chemical and Energy Industries trade union (Industriegewerkschaft Bergbau, Chemie, Energie, IG BCE) is characterised by a long-standing cooperation built on trust.

At our sites outside Germany too, the workers’ representatives have consultation, information and advisory rights in financial and organisational matters as well as co-determination rights in relation to social issues. In Chile, a large number of small trade unions act jointly in negotiations with the Company. Approximately 50% of our Chilean employees are members of trade unions. The employees of Morton Salt are represented by nine different trade unions based in the United States, in Canada and on the Bahamas. About two thirds of the employees are organised in trade unions.

In 2013, the joint works council began to discuss various possibilities of a closer international cooperation between employee representatives.

The year 2013 has once again proved how quickly the market situation can change for our globally operating Company. The statements by a top manager of UralKali in summer 2013 not only resulted in a slump in share prices of potash producers, but also let prices for potash products fall after a delay. For all employees, it is quite understandable that the pressure with regard to earnings has therefore grown on K+S and all possibilities of increasing efficiency and cost savings must be examined.

However, our colleagues have already in the past ten years contributed towards lowering costs and therefore also increasing Company earnings. Examples of this are the agreements on the strategies for the future from 2004, 2008 and 2010 with a term until 2016 for the German Group companies.

Against this background, the Collective Works Council and the IG BCE (Mining, Chemical and Energy Industries Union) expect further continuity in cooperation and are therefore also in the future focusing on a confidential and open dialogue between all parties concerned. Moreover, cost savings must not have a negative effect on job and health protection. We are assuming that this philosophy remains valid.

Glück auf!

Klaus Krüger
5.10 IDEAS MANAGEMENT

With our Ideas Management/Continuous Improvement Process (CIP), we involve all employees in improving the quality and profitability of our processes and products. We sharpen the awareness for important Company-specific know-how and we better use and secure the knowledge existing in the Company.

NUMBER OF IDEAS DOWN SLIGHTLY

In 2013, with 15,908 ideas submitted, we registered a slight decrease compared with the previous year (16,688 ideas). The participation rate – an indicator of the acceptance and penetration of ideas management in the Company – was 56%: 5,987 employees took part. At 57%, the implementation ratio, an important indicator of the quality of suggestions, was again very high. At € 4.4 million, the economic effect generated in 2013 was at the level of the previous year (€ 4.1 million).

In the future, we want to make use of the experience from ideas management in an even broader framework. It is planned that the CIP core team will, as of 2014, analyse recurrent tasks and processes and develop ideas as to how these can be formed in a more efficient and streamlined manner.

INTERNATIONALISATION OF IDEAS MANAGEMENT

In the past year, we have introduced ideas management at all MORTON SALT sites. The project team, staffed by German and American employees, profited from the long-standing German experience in ideas management and was able to make use of the employee involvement processes already introduced at MORTON SALT in the area of health and occupational safety. In the last three months of the year, about 300 ideas have already been received.

K+S EMPLOYEES ACCLAIMED FOR BEST IDEA OF 2013

The German Institute for Ideas and Innovation Management acclaimed two employees of the Werra plant for having the “Best Employee Idea of 2013”. Zvonko Dzinic and Wolfgang Doll had submitted a suggestion, the implementation of which avoids at least 55,000 cubic metres of saline wastewater per year in the plant’s production.
The Global Reporting Initiative (GRI) has developed a comprehensive framework for sustainability reporting in a global stakeholder process. The requirements of sustainability reporting are revised regularly to take into account new findings and demands. We use the reporting guideline with its principles and indicators in the 3.0 version. We report many core indicators and several additional indicators. Several core indicators we do not (yet) report, because data is not easily available, the issues are not considered as material, or we do not publicly report on them for reasons of business policy (mark: — ). We rate our performance when it comes to meeting the GRI Index as (B).

At the same time, we have initiated internal processes to apply and specifically define material concepts of sustainability management for the K+S GROUP. This includes transparency over sustainability issues. We are therefore analysing current requirements and instruments of sustainability reporting, such as, for example, newer versions of the GRI, Integrated Reporting or discussions about disclosure of non-financial issues in the European Union.
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### Glossary

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<th><strong>Carbon Dioxide</strong></th>
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<td>Carnallite is a colourless mineral composed of the main components potassium chloride and magnesium chloride. It is used in magnesium extraction and as a fertilizer.</td>
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<td><strong>Cogeneration</strong></td>
<td>Cogeneration (CHP) is a technique enabling not only electricity to be generated but also useful heat to be produced. In contrast to separated production facilities, CHP plants use the fuel employed, e.g. natural gas, more efficiently. The heat arising in the cogeneration process is available in the form of warm water or high-pressure steam.</td>
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<tr>
<td><strong>Discontinued Operations</strong></td>
<td>The divestment of the Nitrogen business to EuroChem occurred on 2 July 2012. Consequently, since the second quarter of 2012, the Nitrogen business is stated as a discontinued operation in accordance with IFRS.</td>
</tr>
<tr>
<td><strong>ESTA® Process (Electrostatic Processing Method)</strong></td>
<td>The ESTA® process is a dry processing method for potash crude salts, patented by K+S. With this process, the individual crude salt elements are charged differently, to ultimately be separated into the components sodium chloride and potassium chloride with the aid of an electric field. In comparison with classical, wet processing methods, energy input and production residues are significantly reduced.</td>
</tr>
<tr>
<td><strong>Evaporated Salt</strong></td>
<td>Evaporated salt is produced by the evaporation of saturated brine, during which sodium chloride is crystallised.</td>
</tr>
<tr>
<td><strong>Flotation Process</strong></td>
<td>In production, the flotation process separates rock salt and potash or kieserite from the crude salt without heat supply. During the process, the minerals are separated into their components in a saturated saline solution as air is supplied. With the addition of flotation agents, the reusable substances adhere to the air bubbles and can thus be skimmed off after floating to the surface.</td>
</tr>
<tr>
<td><strong>Greenfield Project</strong></td>
<td>Greenfield project denotes the creation of fundamentally new capacities, including infrastructure capital expenditure. With the Legacy Project of K+S AG, a greenfield potash project is being realised in the Canadian province of Saskatchewan for the first time in about forty years. In addition, there are also brownfield projects in potash mining, in which the capacity of an existing mine is extended.</td>
</tr>
<tr>
<td><strong>GRI — Global Reporting Initiative</strong></td>
<td>The Global Reporting Initiative is a nonprofit foundation that develops cooperatively a framework for global sustainability reporting. The GRI reporting guideline specifies principles and indicators for organisations to measure their economic, environmental and social performance. The purpose is to promote transparency and comparability for sustainability reports.</td>
</tr>
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</table>
The hot dissolution process is a production process applied in potash production, which is based on the temperature-dependent dissolving behaviour of minerals. The different components are separated, because the solubility of rock salt is uniformly good irrespective of the water temperature, and that of potassium chloride increases with the temperature.

Integrated Reporting combines business and financial reporting with non-financial reporting elements, such as environmental, social and governance performance to one corporate report. The aim is to represent interactions between financial and sustainability performance.

The ISO 26000 provides guidance on how businesses and organisations can operate in a socially responsible way. It identifies seven principles and core subjects.

Kieserite is a mineral component of crude salt, which is composed of the water-soluble minerals magnesium and sulphur. From the chemical perspective, it is aqueous magnesium sulphate. Kieserite serves as a basic raw material for the production of fertilizers.

The Licence to Operate denotes the commercial basis which, as a result of the stakeholders’ confidence, justifies the company in transacting its business, taking part in competition, and satisfying stakeholders’ interests.

The OECD Guidelines for Multinational Enterprises are an operational framework that provides voluntary principles and standards for responsible business in the fields of general policy, disclosure, human rights, employment, environment, anti-corruption, consumer interests, science and technology, competition and taxation.

Open-cast mining is understood to be a form of extraction of mineral raw materials near to the surface. In contrast to other forms of mining, no subterranean galleries or shafts arise.

The plate dolomite (Leine Carbonate) is above the salt deposits at a depth of approx. 400 to 500 metres and is covered by clay layers on both sides. It is approx. 10 metres thick and consists of limestone and dolomite rock, which already contains naturally mineralised water.

Potassium chloride (KCl) is a potassium salt used as fertilizer. In addition, it is the basic raw material for all inorganic and organic potassium compounds.

Potassium oxide (K₂O) is a chemical measuring unit used to provide information on the potassium content of fertilizers.

Sodium chloride (NaCl) or table salt is a crystalline mineral extracted from rock salt and sea salt. As food grade salt, sodium chloride is an indispensable mineral supplier to the human body. Sodium chloride is also used to maintain road safety and as an important element in the production of glass, paper and plastic.
**Solution Mining**

In solution mining, freshwater is brought into solvent (salt) rock through a drill hole, thus creating chambers filled with a water-salt solution, so-called caverns. In a subsequent step, the saturated brine is brought to surface level along a further pipeline.

**Stakeholders**

Stakeholders are stakeholder groups in the environment or within an organisation, who are, directly or indirectly, affected by the corporate activities at present or in future and are therefore interrelated. They include employees, customers, investors, suppliers, residents or the political world.

**United Nations Global Compact**

The United Nations Global Compact is a voluntary strategic initiative for companies to promote sustainable development and social involvement. The companies involved recognise the ten universal principles of the Global Compact from the areas of human rights, employment standards, environmental protection and fighting corruption.
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## Financial Calendar

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<td>Annual General Meeting, Kassel</td>
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</tr>
<tr>
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<td>15 May 2014</td>
</tr>
</tbody>
</table>

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**Forward-looking Statements**  
This report contains facts and forecasts that relate to the future development of the K+S Group and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove not to be correct or risks arise – examples of which are mentioned in the Risk Report – actual developments and events may deviate from current expectations. Outside statutory disclosure provisions, the Company does not assume any obligation to update the statements contained in this report.
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