

GROUP PAYMENT RE- PORT

2016



Experience growth.

1. GENERAL PRINCIPLES

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

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

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

2. BACKGROUND

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

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

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

3. ACTIVITIES IN THE EXTRACTIVE INDUSTRY

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

4. REPORTING PRINCIPLES

GENERAL

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

The Group Payment Report of the K+S AKTIENGESELLSCHAFT will be published in the Federal Gazette in accordance with the regulations of the German Commercial Code (HGB) and will also be available to the public on June 30th 2017 on the homepage of the K+S GROUP at www.k-plus-s.com in German and English.

TERM DEFINITIONS

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

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

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

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

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

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

PREPARATION PRINCIPLES

The Group Payment Report includes payments that result from activities within the framework of the extraction of raw materials or related upstream activities, for example from exploration, prospection, discovery or development, and

which can be assigned to the types of payments mentioned on page 3. Furthermore, other payments to government entities that do not manifest any direct connection with activities in the extractive industry are outside the scope of application and are not to be included in the Group Payment Report.

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

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

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

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

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

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

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

For materiality reasons, public authorities to which a total of less than € 100.000 have been paid in the period under review can be excluded from the Group Payment Report. This materiality limit is applied.

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

5. PAYMENTS

GROUP OVERVIEW

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

in Euro	Taxes ¹	Royalties ²	License fees, rental fees, entry fees ³	Total
Deutschland	3.766.119*	205.376	1.007.842	4.979.336
Canada	8.907.956	157.402	619.321	9.684.678
United States of America (USA)	14.230.522	113.643	966.278	15.310.443
Chile	756.550	–	–	756.550
Brazil	387.063	–	–	387.063
Bahamas	–	–	332.383	332.383
Total	28.048.209	476.420	2.925.823	31.450.452

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

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

³ Pursuant to Section 341r No. 3 f) of the German Commercial Code

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

In the year under review K+S AKTIENGESELLSCHAFT paid income taxes in the amount of € 39.337.183 of which € 15.374.141 was for corporate tax and € 23.963.042 for trade tax.

COUNTRY OVERVIEW

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

GERMANY

	Taxes ¹	Royalties ²	License fees, rental fees, entry fees ³	Total
in Euro				
HCC-Hessisches Competence Center, Wiesbaden, Hesse				1.007.842
Neuhof-Ellers	–	–	431.331	431.331
Werra	–	–	576.511	576.511
Landeshauptstadt Hannover, Hanover, Lower Saxony				355.164
Non-project-related payments	355.164	–	–	355.164
Landeshauptkasse Sachsen-Anhalt, Dessau-Rosslau, Saxony-Anhalt				205.376
Bernburg	–	118.596	–	118.596
Zielitz	–	86.780	–	86.780
Samtgemeinde Grasleben, Grasleben, Lower Saxony				591.735
Braunschweig-Lüneburg	591.735	–	–	591.735
Stadt Bernburg, Bernburg, Saxony-Anhalt				1.452.246
Bernburg	1.452.246	–	–	1.452.246
Stadt Rheinberg, Rheinberg, North Rhine-Westphalia				1.366.974
Borth	1.366.974	–	–	1.366.974
Total	3.766.119*	205.376	1.007.842	4.979.336

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

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

³ Pursuant to Section 341r No. 3 f) of the German Commercial Code

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

In the year under review K+S AKTIENGESELLSCHAFT paid income taxes in the amount of € 39.337.183 of which € 15.374.141 was for corporate tax and € 23.963.042 for trade tax.

CANADA

in Euro	Taxes ¹	Royalties ²	License fees, rental fees, entry fees ³	Total
Canada Revenue Agency, Ottawa, Ontario				1.554.702
Non-project-related payments	1.554.702	–	–	1.554.702
Department of Natural Resources, Halifax, Nova Scotia				108.122
Pugwash	–	–	108.122	108.122
Ministry of Finance, Oshawa, Ontario				4.427.158
Non-project-related payments	4.427.158	–	–	4.427.158
Ministry of the Economy, Regina, Saskatchewan				511.198
Bethune	–	–	354.112	354.112
Regina	–	–	157.086	157.086
Revenu Québec, Montreal, Québec				177.410
Non-project-related payments	177.410	–	–	177.410
Revenu Québec, Québec, Québec				2.748.687
Non-project-related payments	2.748.687	–	–	2.748.687
Water Security Agency, Moose Jaw, Saskatchewan				157.402
Bethune	–	157.402	–	157.402
Total	8.907.956	157.402	619.321	9.684.678

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

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

³ Pursuant to Section 341r No. 3 f) of the German Commercial Code

UNITED STATES OF AMERICA (USA)

	Taxes ¹	Royalties ²	License fees, rental fees, entry fees ³	Total
in Euro				
Arizona Department of Revenue, Phoenix, Arizona				127.263
Glendale	–	–	127.263	127.263
Franchise Tax Board, Sacramento, California				192.695
Non-project-related payments	192.695	–	–	192.695
Internal Revenue Service, Charlotte, North Carolina				13.778.042
Non-project-related payments	13.778.042	–	–	13.778.042
Minnesota Revenue, Saint Paul, Minnesota				121.911
Non-project-related payments	121.911	–	–	121.911
New York State Tax Department, New York City, New York				137.874
Non-project-related payments	137.874	–	–	137.874
New York State Department of Environmental Conservation, New York City, New York				113.643
Silver Springs	–	113.643	–	113.643
Ohio Department of Natural Resources, Columbus, Ohio				499.974
Fairport	–	–	496.000	496.000
Rittman	–	–	3.974	3.974
State of Utah Department of Natural Resources, Salt Lake City, Utah				339.041
Grantsville	–	–	339.041	339.041
Total	14.230.522	113.643	966.278	15.310.443

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

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

³ Pursuant to Section 341r No. 3 f) of the German Commercial Code

CHILE

	Taxes ¹	Total
in Euro		
Tesorería General de la República, Santiago de Chile, Región Metropolitana		756.550
Non-project-related payments	756.550	756.550
Total	756.550	756.550

BRAZIL

	Taxes ¹	Total
in Euro		
Receita Federal do Brasil, Brasília, Distrito Federal do Brasil		387.063
Non-project-related payments	387.063	387.063
Total	387.063	387.063

BAHAMAS

	License fees, rental fees, entry fees ²	Total
in Euro		
Ministry of Finance, Nassau, New Providence		332.383
Inagua	332.383	332.383
Total	332.383	332.383

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

² Pursuant to Section 341r No. 3 f) of the German Commercial Code

Kassel, 29 June 2017

K+S AKTIENGESELLSCHAFT

BOARD OF EXECUTIVE DIRECTORS