

Letter Dr Andreas Kreimeyer

Ordinary Annual General Meeting of K+S Aktiengesellschaft

on Tuesday, 15 May 2018, 10:00 a.m.,
in the Kongress Palais Kassel – Stadthalle,
Holger-Börner-Platz 1, 34119 Kassel, Germany



Dear Shareholders,

During the next annual general meeting, we will present our new remuneration system for the Board of Executive Directors to the shareholders for approval. We have used the occasion of making the necessary adjustments to the variable multi-year remuneration, which ensue from the requirements of the German Corporate Governance Code, to revise the remuneration system fundamentally. For this purpose, we chose the mechanisms and key financial indicators so that these support the goals of our "Shaping 2030" strategy in the best possible manner.

With the new system, we intend to shift the focus onto the financial planning for the single-year variable remuneration. When the ambitious plan for the financial year is achieved, which the Supervisory Board will approve in each case in its November meeting, 100% of the short-term remuneration is also achieved. If it is exceeded or not achieved, the short-term remuneration is increased or decreased in the same proportion. The Supervisory Board is thereby prevented from using its discretion to influence the target achievement.

The annual bonus, which was previously linked to a personal target agreement, will cease to exist. A performance factor will apply instead of it, which evaluates the performance of the overall Board of Executive Directors. This performance factor is applied to the short-term remuneration (described above) as a multiplier and is able to increase or decrease it by up to a maximum of 20%. The performance factor is determined based on the achievement of targets agreed between the Supervisory Board and the Board of Executive Directors as a whole. These target agreements also use medium-term goals as orientation, such as e.g. the targets from the "Shaping 2030" strategy. It was of particular importance for us to evaluate the performance of the Board of Executive Directors as a team, in order to further drive the cooperation in the downsized Board of Executive Directors.

In addition, we also revised the multi-year remuneration and divided it into two independent components of equal weight. One of the components will continue to be based on the added value (for the definition see Financial Report, page 205), since it is an essential task of the Board of Executive Directors to increase the value of the company. However, it is an equally important task of the Board of Executive Directors to do everything in its power so that this added value is also reflected appropriately in the share price. We therefore linked the second component to the share price development of the K+S shares. We decided on using the M-Dax performance as a benchmark – a benchmark that we consider very ambitious. Since we link 50% of the long-term remuneration to the share price performance, there is no separate "Ownership Guideline" beyond it.

Due to the absolute amount of the remuneration for the Board of Executive Directors, which is very measured compared to other companies – particularly in the M-Dax – we did not include any claw-back rule in the contracts.

ILLUSTRATIVE CALCULATION OF THE ANNUAL REMUNERATION OF A MEMBER OF THE BOARD OF EXECUTIVE DIRECTORS FROM 1 JANUARY 2018¹⁾

	Target achievement 100 %	Target achievement 0 %	Maximum target achievement
in €			
Fixed remuneration	485,000 ²⁾	485,000 ²⁾	485,000 ²⁾
STI incl. performance factor	380,000	0	912,000
Annual remuneration	865,000	485,000	1,397,000
LTI I	285,000	0	570,000
LTI II	285,000	0	570,000
Total remuneration	1,435,000	485,000	2,537,000

¹⁾ The Chairman of the Board of Executive Directors receives 1.5 times the remuneration.

²⁾ Incl. compensation for individual taxation of company cars.

The shift to the new remuneration system resulted in a reallocation among the remuneration components, but not in a material remuneration increase.

Furthermore, there are no additional contracts – beyond the already known pension agreements – such as loans or comparable commitments to the members of the Board of Executive Directors.

For future pension agreements German law concerning the vesting of expectancy rights will be applicable. In this regard the Board Member has to have in minimum 5 years of service to reach the vesting of expectancy rights.

Additional important changes to the Supervisory Board and Board of Executive Directors

In its meeting in March of this year, the Supervisory Board adopted an age limit for Supervisory Board members and Members of the Board of Executive Directors. Accordingly, candidates for the Supervisory Board must not be older than 72 years of age at the time of their election. The age limit for Members of Executive Directors is determined to 65 years.

Furthermore they adopted a limit for terms of service. Members of the Supervisory Board may be in office for a maximum of 4 election periods – 5 election periods in exceptional cases. The legal definitions of the German Co-Determination law shall remain unaffected.

As already published in the Financial Report, the attendance quota during the full assembly meetings was at 98%. The attendance quota for all meetings – i.e. meetings of the full assembly and committee meetings – was at 96%. You will find an individualized attendance report following my statement.

A very cordial *Glückauf!*
Your,

Dr Andreas Kreimeyer
Chairman of the Supervisory Board

Participation in the meetings of the Supervisory Board of K+S Aktiengesellschaft in the 2017 financial year

Supervisory Board Members	Meetings incl. committee meetings	Plenary meetings total	Plenary meetings participation	Committee meetings total	Committee meetings participation	Participation in % total
Dr Andreas Kreimeyer	17	5	5	12	12	100%
Michael Vassiliadis	17	5	4	12	9	76%
Ralf Becker	9	5	5	4	4	100%
Jella Benner-Heinacher	15	5	5	10	10	100%
Ralf Bethke	6	2	2	4	4	100%
Philip Freiherr von dem Bussche	14	5	5	9	9	100%
George Cardona	11	5	5	6	4	82%
Wesley Clark	5	5	5			100%
Harald Döll	10	5	4	5	3	70%
Axel Hartmann	9	5	5	4	4	100%
Michael Knackmuß	5	5	5			100%
Thomas Kölbl	6	3	3	3	3	100%
Gerd Kübler	5	5	5			100%
Dieter Kuhn	9	5	5	4	4	100%
Dr Annette Messemer	5	5	5			100%
Anke Roehr	5	5	5			100%
Dr Eckart Sünner	9	5	5	4	4	100%
	157	80	98%	77	90%	96%