



K+S Aktiengesellschaft

Annual General Meeting

on May 10, 2018

in Kassel

**Dr. Burkhard Lohr,
Chairman of the Board of Executive Directors**

– The spoken word is binding –

Dear Shareholders,
Dear Shareholder Representatives,
Dear Media Representatives,
Dear Guests, including those of you participating via the Internet,
Ladies and Gentlemen!

On behalf of the entire Board of Executive Directors of K+S Aktiengesellschaft, I would like to extend a warm welcome to you for today's Annual General Meeting.

2017 was a very special year for me and for K+S as a whole. It was a year in which we initiated decisive steps to advance the success of our company. In 2017, we laid the foundations for growth.

There are three dimensions to this:

First: We are growing profitably.

We want to scale back our debt and increase our earnings significantly and in a lasting manner. Our ambition is to achieve EBITDA of 3 billion in 2030.

Second: We are growing in a sustainable manner.

We want to combine our development as a company with a high degree of responsibility for the environment. We mine minerals sustainably. We act responsibly toward people and toward nature.

Third: We are growing through proximity to our customers.

We have reorganized our Board of Executive Directors to successfully prepare K+S for the changed requirements of our markets. We will only be able to secure the future of our company and, therefore, that of jobs by successfully managing this task.

If you want to grow, you need a clear direction. That is why we have not just adjusted our vision. What we have done is to completely redefine it.

We think and act as "one company." We call this "One Company." It means networked cooperation that extends across departmental boundaries.

We are leveraging the market potential that we know. We are venturing into new growth areas. We are very familiar with special applications – and will place even more reliance on them in the future.

That is also our vision. If vision is about the goal, then strategy describes the path leading to it. We presented our Shaping 2030 corporate strategy in the fall last year. We recognized what we had to change in order to lead K+S to a sustainably successful future.

I don't just want to talk about that now. I would also like to cordially invite you to take a look at key components of the new path for K+S.

We have also set up some information islands for you in the foyer. My colleagues are waiting for you there to present to you the goals and projects forming our Shaping 2030 strategy.

I would now like to turn to the four core elements of our strategy:

A new customer focus above all.

In a world of global competitiveness, powerful trading platforms and rapid advances in technology, customer needs change swiftly. That is because not only is communication becoming faster and more individual, but so are the demands made of us.

If, for example, fertilizer use was for large tracts of land in the past, today we find ourselves talking about smaller areas with special requirements. And the solutions that customers require in this regard are of an immediate nature and not a medium-term one.

That is why we need more than just good products to avoid being replaceable.

Our customers are seeking a dynamic partner on the same level, one who understands their needs and thinks in terms of solutions.

Of course, we already know our customers and markets today. However, we still think too much about raw materials.

In the future, we will anchor our four customer segments of agriculture, industry, consumers and local government directly in the organization as a new dimension. In each of these segments, we are concentrating on the added value that K+S can offer.

We help farmers to secure the world's food supply.

Our fertilizers are used on all the world's continents – from Europe's wheat fields, through the rice terraces of Asia to the coffee plantations of South America. At the same time, we always keep the sustainability of our products in mind.

We offer solutions to keep industry running.

Electrolysis is the main area in which our minerals are used in industry. It is used to obtain chlorine – an important substance for many industrial products. Nutritional solutions as well as cosmetics and care products also contain our minerals.

We ensure safety in winter.

Our de-icing salts prevent many accidents in winter – that is because we are the only suppliers present on all the world's de-icing salt markets.

We enrich the lives of consumers in terms of food and water softening.

We are present on numerous store shelves worldwide with various brands. Morton Salt is the main brand. Every child in the United States knows our “umbrella girl.”

I would now like to turn to the second core theme of our strategy: The leveraging of synergies.

The change in orientation – from raw materials to customers – also requires a break with narrow departmental thinking. Thus, we are pooling our strengths and realizing synergies. This applies just as much to production as to administration.

We will leverage synergies as quickly as possible. Our goal: More than 150 million euros per year starting at the end of 2020.

The third core element of our strategy is growth.

Greater efficiency on the one hand and growth on the other. K+S is following both these paths. Our ambition: EBITDA of 3 billion euros in 2030.

We are growing in our conventional business sectors: Therefore, as a couple of examples, we are expanding production step by step at our new Bethune site in Canada, and also concentrating on the high-margin parts of our portfolio, such as our special salts for industry.

However, we are also tapping into new, neighboring business sectors and new regions. I'll come to that later.

The fourth core element of our strategy bears the title “One Company.”

A new corporate strategy also means gearing up our organization for it. Our goal is to integrate central and operating units with each other more closely. We no longer think in terms of “sales” or “production.” We're leaving this kind of departmental thinking behind us. Instead, we are working together as a network within a matrix. We feel we are “one company” and act as such with our customers in mind.

“One Company” is what brings us together within K+S across departmental boundaries.

Of course, this kind of change does not occur overnight. It requires use of the power of persuasion, perseverance and time.

That is because we are not only changing organizational structures and processes, but also cultivating a new culture and set of attitudes on the part of people.

We are aware of this. We are therefore seeking to effect a very radical shift – strategically, organizationally and culturally. We know what this requires of us and of our senior managers and employees.

That is why I would like to clearly say THANK YOU for accompanying us along this path.

The world of mineral products traditionally stands for strength and stability. For us, it also stands for dynamic development and growth. However, growth needs certain prerequisites. That is why we have divided our strategy into two phases: Transformation first, then growth.

We launched the transformation phase last year. This phase has one focal point above all: Creating the substantive and functional prerequisites for further growth. What do I mean by this?

We're leveraging the synergies I referred to. As I said, our goal is more than 150 million euros per year as of the end of 2020.

We are also halving the level of our debt, that is, the ratio of net debt to EBITDA, by 2020. The reference point is the first half of 2017.

And we are laying the groundwork for once again achieving an “investment grade” rating from 2023 onward.

There is one transformation theme that shows particularly clearly how I – how we – are changing our attitudes and our approach. I am talking about sustainability in environmental issues. This plays a particular part in our responsibility as a company. It is a topic very close to my heart, and one in which I have invested a great deal personally.

It is very important to me that we conduct an intensive and constructive dialogue with those who are affected by environmental issues in our business environment. A good and viable solution was something of central importance for both sides, especially in areas that were weighed down by protracted legal disputes. I am therefore very pleased with those settlements reached with the BUND environmental association as well as Gerstungen municipality in Thuringia that have ended these disputes. We will consistently follow this path.

I am saying this because I firmly believe in doing so. This is precisely the way in which we can also secure long-term production in Germany.

In addition, we have further optimized wastewater management at the Werra plant. This is something that we have been particularly able to achieve as a result of our

new “kainite crystallization with subsequent flotation” facility. You’ll no doubt agree with me that this is a complicated name. That is why I will just refer to it as the KCF from now on. It has brought about a further 20 per cent reduction in the total volume of saline wastewater at the Werra plant. We’ve invested 180 million euros in it, which makes the plant the K+S Group’s largest individual water protection project to date.

In addition, 2017 saw us receive a permit for the early commencement of tailing piles expansion at Hattorf – this means that the overall outlook for the venture is positive now. It also represents an important step toward safeguarding production in Germany.

Since 2017, we have been producing potash not only in Germany but also in Canada. Bethune is located in the southern part of the Canadian province of Saskatchewan – the treasure trove of the Canadian potash industry. There, we have managed to build the most modern plant of its kind in the world in just over five years.

If we add in planning, then we arrive at about eight years for the project. These are the cycles that we think in. We cannot plan something today and implement it tomorrow. That is also why we are developing a long-term strategy with Shaping 2030.

The launching of production at Bethune on June 11, 2017, represents one of the most important milestones in recent K+S Group history. The sales volumes produced there already had a positive impact on our revenues last year: A first boost to growth for the future.

However, Bethune is also special in a different regard – we are now producing potash on two continents. This moves us up into a new league:

It means that we are closer to our customers and can respond much faster to their needs.

In addition, the new plans allow us to reduce average production costs at lower fixed costs per ton.

One can also say that Bethune has opened up long-term prospects for us – ones that our German potash plants alone could never have given us.

To ship products from Bethune as quickly as possible, we opened a new port facility in Vancouver, on August 28 of last year.

The first freight train consisting of 122 freight cars already arrived at our Vancouver facility in September. The first major shiploads have already been consigned to our customers in China and Brazil via our new port complex in Vancouver.

It's a small step from the most modern potash plant in the world to digitalization.

At first sight, digitalization would appear to have no significant role to play where tons of raw materials are being mined each day. In fact, the opposite is true. Digitalization is making rapid advances at K+S.

We are banking on mobile maintenance. Items of equipment located underground and in the factory facility are provided with codes that the person responsible for maintenance can scan with an app. It saves a lot of time because fewer visits are required and there is no more note duplication. All of this serves to enhance efficiency and makes processes much simpler for our employees.

What might not appear to be that extraordinary at first sight, is much more interesting when you realize that, underground, our Werra plant covers an area that is as large as the city of Munich! Thus, what digitalization means in this case is that you save time on having to cross the city.

I'll stay on the subject of digitalization but in a different country. One of our growth options as part of our corporate strategy is to tap into a very interesting market. Africa is a market with growth potential that is reminiscent of Brazil, India or China in past decades. Sub-Saharan Africa, to be more precise.

Market access in this regard is not that simple. Mobile telephoning is the key, because network coverage in Africa is exceptionally good.

The excellent network coverage is the very basis on which we will develop on the African market. Uganda is our point of entry into Sub-Saharan Africa.

During a visit to Uganda with K+S colleagues last December, I was able to discuss concrete activities with politicians, local companies and small land holders. Our commitment, but also the enormous potential of the region, impressed me greatly.

In Uganda, farming is mainly engaged in by small land holders. They neither possess the knowledge of larger agricultural enterprises nor sufficient money for larger volumes of fertilizers. That is why we are developing a trading platform with our partners in Uganda.

A Ugandan partner orders fertilizer from us and makes it available to smallholders via the platform in smaller volumes as well. The fertilizers are precisely tailored to their needs.

The circle is then completed when farmers are able to sell their finished products – coffee, maize or tomatoes – via the platform at fair prices: They sell them to a local wholesaler that is also a partner of ours.

Dear Shareholders,

We believe in this project!

Of course, it is a matter of being commercially successful. At the same time, the project is about help for self-help – and from my personal perspective, an approach that shows local people what prospects they have in their own country.

The idea of a trading platform in Uganda was something that we ourselves came up with. That is because for K+S, digitalization and innovation mean a direct link to new business models and markets.

Having provided a general overview of developments, I would now like to turn to the concrete figures for the 2017 financial year.

Dear Shareholders!

During the previous financial year, the K+S Group improved all its key indicators year-on-year. Revenues, EBITDA and EBIT I are in line with our expectations, and ahead of the results for 2016.

For that and for the result achieved for 2017, I would like to clearly say THANK YOU to all our employees!

Our free cash flow has also improved considerably. Our revenues grew to around 3.6 billion euros. This figure was just about 200 million euros lower in the previous year.

We have succeeded in increasing the earnings before interest, taxes, depreciation and amortization – i.e., the EBITDA – to 577 million euros. Our EBITDA in the previous year was just 519 million euros.

Our operating earnings EBIT I increased by around 40 million euros from 229 to 271 million euros. And incidentally, this also takes the one-time expense incurred through the closure of the Sigmundshall potash plant into account. EBIT I would have been even higher without this.

In 2017, we also reduced our level of debt, that is, improved the ratio of net debt to EBITDA.

Compared with the reference value at the end of the first half of the year of 8.1 times EBITDA, the value at the end of 2017 was 7.2 times EBITDA.

There is also good news regarding free cash flow: Free cash flow, which was still negative, fell by one half. This is primarily because of a significant decrease in capital

expenditure, which, in turn, is attributable to the production launch at our Bethune plant. In addition, a high degree of discipline is being practiced in the whole K+S Group with regard to costs and expenditure.

Dear Shareholders, what does this mean for you? We are delighted to be able to propose to you today a dividend of 35 cents per share. This is 5 cents more per share than last year.

This proposal corresponds to a payout ratio of 46 per cent of the adjusted Group earnings after tax.

We'll now turn to the subject of our business units:

Revenues and earnings for Potash and Magnesium Products have in large measure profited from greater product availability and an improved product mix.

We were able to significantly reduce the number of days lost at our Werra plant: The figure for 2017 was only 25 days and confined solely to the first quarter. There were still more than 200 days lost in 2016. The improvements in wastewater management already mentioned produced a positive trend over the rest of the year. The first deliveries from our Bethune plant to our customers overseas and the boost provided by prices also made a contribution to the positive trend in revenues.

In the case of salts, the de-icing salt business was able to post moderately higher sales volumes over the course of the year. While North America was below average, Europe could more than make up for that. We sold a total of 10.7 million tons of de-icing salt, that is, 6 per cent more than in 2016. Thus, being present in the most important de-icing salt regions paid off for us once again.

Business involving salt other than that used for road safety purposes was satisfactory overall. In the case of industrial salt in particular, we were able to achieve higher sales volumes for salt used in copper extraction and thus offset negative foreign exchange effects. Salts used in the chemical industry also displayed a very positive trend.

For the first quarter of 2018, we saw an improvement compared with the same period a year ago.

Our EBITDA was 237 million euros. It was 211 million for the first quarter of 2017. Thus, the course of business for the first quarter more than made up for the negative

impact on earnings resulting from the weaker US dollar in the amount of about 10 million euros.

The fact that no more production days were lost at Werra also had a positive effect. However, there are still challenges that have to be tackled at the site. The past few years of uncertainty have left a mark. We are working hard on improving the situation.

Prices for standard potash have recovered compared with 2017. However, the long cold winter delayed spring application. The resulting volume effect had a tangible impact on earnings.

Salt saw significant volume gains in North America. However, warehouses were still full because of last year's mild winter, which meant we had to accept lower prices. In Europe, the winter business trailed 2017 because of a mild January.

The level of debt saw a further improvement. Net debt is now 6.7 times the EBITDA.

All in all, we have seen a further solid quarter. And we are confident about the upcoming quarters.

Ladies and Gentlemen,

What has been accomplished is a source of motivation for us.

For the 2018 financial year, we expect to see a noticeable increase in revenues, and significant year-on-year growth in earnings before interest, taxes, depreciation and amortization (EBITDA). EBITDA will be our key management variable in the future.

The increase of the production volumes in Bethune in Canada continues to deliver a noticeable positive boost to potash and magnesium products.

In the Salt business unit, we expect EBITDA to increase appreciably as a result of rising sales volumes.

Against this backdrop, we expect to see further improvements in adjusted free cash flow in 2018 – resulting in positive free cash flow in 2019.

Dear Ladies and Gentlemen, Dear Shareholders!

All of K+S faces great changes. I've just explained that to you. We mine and process raw materials. That is and remains our core competency. However, we no longer act exclusively as a producer.

We will become the supplier of mineral products with the strongest focus on customer needs. That is our key to more growth – realistic growth:

- Think of the Canadian potash plant. That means growth for us through production.
- Think of special salts. That means growth for us through industry.
- Think of environmental protection. That means growth for us through sustainable solutions.

The basis for this growth is our new Shaping 2030 strategy, which we are implementing in a consistent manner. We are pooling our strengths on the basis of synergies. We are developing new structures for administration and operating units.

Ladies and Gentlemen, what really matters to me and makes a real difference is that we do not think of One Company as a decision adopted by the Board of Executive Directors. We think of it as an attitude that starts with the Board of Executive Directors.

You cannot lead a company that operates worldwide and employs 15,000 people as a one-man-show. You need colleagues – experts in their fields – that you can rely on and with whom you can act together. This belief is shared by my colleagues on the board, by Thorsten Boeckers, Mark Roberts and Thomas Nöcker.

A change of culture begins with the Board of Executive Directors. We believe in this new path of cooperating through networks and focusing on the customer. We believe in teamwork being practiced by a management team that supports and exemplifies this change of attitude – at all levels of management in the administration and the operating units. We are working together to spread these convictions throughout the entire company.

It will take time for the attitudes of so many people to change. We will have made solid progress by next year and I will once again report to you and answer your questions. I am confident that we will achieve our goals. We may encounter some setbacks here or there. They will not, however, distract us from the pursuit of our goals!

Ladies and Gentlemen, I cordially invite you to accompany us along this path.

Thank you very much and Glückauf.