



K+S Aktiengesellschaft

Annual General Meeting

on May 15, 2019

in Kassel

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

– The spoken word is binding –

Dear shareholders,
Dear shareholder representatives,
Dear representatives of the media,
Dear customers,
Dear colleagues,
Ladies and gentlemen here in the hall and online!

Together with my colleagues on the Board of Executive Directors, I wish you a warm welcome to today's Annual General Meeting of your K+S Aktiengesellschaft. We are pleased that you have accepted our invitation.

Dear Ladies and Gentlemen,

If we look back at the past year, then some of you will surely have a very pleasant memory of the summer: months of dry, sunny weather. Beautiful trips with family and friends. Long, mild evenings on the terrace or balcony. My colleagues and I had a similar experience.

However, our attention soon turned to the water level of the Werra river. The need for rain grew with every weather forecast. But nature has its own laws. Who would know better than a company like K+S that is deeply rooted in nature and its resources? 2018 was therefore a particularly challenging financial year for us.

The low water level of the Werra river forced us to interrupt potash production there for weeks in September and also at the end of the year.

In the end, the weather-related burdens in 2018 totaled about EUR 110 million.

In addition to this – and I'm addressing this just as clearly – the production at some of our sites did not run very smoothly. Mining challenges had to be mastered and machine availability optimized. That's why I don't want to beat around the bush for long. Dear shareholders, you will not be satisfied with the economic result for 2018. We are also not satisfied with the result! But, it is also true that despite headwinds, we held our course last year.

Together with our colleagues around the world, we achieved much of what we had set out to achieve. I'll come back to this later.

Let me first comment on the figures for 2018. With a revenue of over EUR 4 billion and EBITDA of EUR 606 million, we exceeded the prior-year figures by 11 and 5 percent respectively, in 2018 as a whole. Our business with potash and magnesium products was characterized by a good market environment.

The strong demand for fertilizers was combined with higher prices. For comparison, Brazil, an important customer for us, one tonne of potassium chloride cost about USD 280 at the end of 2017. By contrast, at the end of 2018, it was about USD 350.

Let us take a look at Canada and our largest future investment: Production at our new Bethune potash plant rose from 500,000 tonnes in 2017 to just over 1.4 million tonnes in 2018.

This means that we have already reached almost 50 percent of total capacity in the first full year of production. The production costs per tonne were already below those of our German sites at this capacity. We've already reached another milestone: Bethune generated positive EBITDA for the first time.

All in all, despite the restrictions mentioned above, we can speak about a good development in the potash and magnesium products business segment: EBITDA rose by 34 percent to almost 360 million.

We also pushed ahead with environmental issues: Our new wastewater reduction plant at the Werra site, or KCF for short, has been running according to plan since the beginning of 2018. We've achieved our goal of reducing the volume of saline wastewater by a further 20 percent.

In October 2018, the Kassel Regional Council approved the expansion of the tailings pile at the Hattorf site. This is a very important step towards securing the long-term future of this site. In crude salt processing, we can use our full capacity without being restricted by disposal bottlenecks.

At the same time, the extensive approval procedures for the necessary extensions to our tailings piles at the Zielitz and Wintershall sites are proceeding as planned.

In order to be better prepared for longer dry periods in the future, we expanded the temporary storage facilities for saltwater at the Werra site last year. Without these measures, the drought in 2018 would have had even more devastating effects. We will significantly expand these storage facilities by the summer of 2019: we expect the approval of an additional 400,000 cubic meters. This makes it highly probable that there will be no weather-related standstills in production at the Werra site in 2019. Nevertheless, we will also have to dispose of saline wastewater from the Werra site remotely this year. At the end of 2021, we will end the deep-well injection of saltwater and explore new avenues.

Our goal is to be able to transport saltwater underground into caverns that are no longer used. The results available so far are promising. Werra and Weser would be further relieved by using this so-called underground storage from 2022 on. The discussions with the Weser river basin community about this topic are being conducted objectively and constructively. In the course of the year, the cornerstones for the coming years are to be adopted by the Ministerial Conference of the Weser riparian states.

The Oberweser pipeline is the subject of very controversial regional discussions. Storing saltwater underground would make this pipeline obsolete. We are making it clear that K+S takes the voices of its critics seriously and strives for forward-looking solutions.

Finally, let's look at the salt business last year. The winter, especially in North America, was long and hard at the beginning of 2018. This led to low customer inventories and good pre-stocking business in the second and third quarters of last year. As a result, sales rose by 7 percent to almost 1.9 billion euros. Unfortunately, the operating result did not reflect this positive development to the same extent. This was primarily due to significantly higher freight costs in the USA and Europe. That is all for the operating business in 2018.

As before, our dividend policy is based on a payout ratio of 40 to 50 percent of adjusted Group earnings after taxes. The Board of Executive Directors and the Supervisory Board are proposing a dividend of 25 cents per share for 2018 to the Annual General Meeting today. This corresponds to a payout ratio of 56 percent, which is above the aforementioned range. This proposal to the Annual General Meeting also expresses our confidence for the current year.

This brings me to our strategy.

We have set out to achieve our ambitious goals with our Shaping 2030 strategy. It was clear to us that this path to the future would release new potential. But it was just as clear to us that it would also be demanding and not always run smoothly. Far-reaching changes are necessary in order to change historically-grown structures. We are approaching our goals one step at a time and with a lot of commitment and perseverance...and I am happy to be able to inform you today that we have already made good progress.

That is why I would like to take this opportunity to address our colleagues: Thank you very much for your personal dedication. Thank you for your great commitment. You have all done an excellent job!

Remember the principles of our Shaping 2030 strategy:

- We're focusing on our customers
- We're lowering our debt
- We're leveraging synergies
- We're expanding our specialty business
- We're thinking and acting as one company, as One K+S
- We have set ourselves clear sustainability goals, on which we can be measured.

At this point, I will go into some aspects in more detail:

Since October 2018, we have been working in a new matrix organization in order to be even closer to our customers' needs. We have organized ourselves around the four customer segments: agriculture, industry, consumers and communities. These form a new organizational element.

For us, this means:

- We help farmers to secure the world's food supply.
- We offer solutions that keep industries running.
- We enrich the lives of consumers with food as well as water softening.
- We ensure safety in winter.

We've set up some stands for you in the foyer where you can find more very interesting information about these segments. I cordially invite you to visit them and talk to our colleagues and our partners from the agricultural and industrial sectors.

The two operating units Americas and Europe+ represent a further organizational element. We need this additional element because of our long value chain. This ranges from sales planning through production, marketing and sales to delivery. With the two regional units, we have a direct and close relationship with our customers.

Another principle of our strategy is to reduce our debt. Expressed as a key figure, net debt at the end of 2018 was 5.3 times EBITDA, which at first glance was at the previous year's level. Please bear in mind that we had to cope with weather-related lost days, which cost us 110 million euros. Without this effect we would already have been at 4.4 times.

As of this year, we will achieve a positive free cash flow. This is another reason why we believe we're well on the way to halving our indebtedness by the end of 2020. And, we want to have regained the conditions for an investment-grade rating by 2023.

I now come to the next principle of our strategic objectives:

We're leveraging initial synergies in purchasing, production, logistics, and sales and marketing. And we have a full pipeline for further increases in efficiency and standardizations. Currently, we have developed more than 1,500 concrete measures and have started to implement them. Each of these measures makes K+S a little better.

An example: It costs us a lot of time to check the mine shafts every day. We have now found solutions to deploy our personnel differently and save time. As a result, we can extract around 300,000 tonnes more crude salt per year.

Another example comes from the supply chain and logistics sector: In the past, our potash and salt companies each had their own independent logistics unit. As part of the reorganization, these will now be merged. This will make us more efficient and enable us to save a lot of money.

This global reorganization will lead to a reduction in our overall staffing requirements. At this point however, I would like to emphasize that reducing staff is not the goal of Shaping 2030. Instead, it's about consolidating our business and becoming more efficient so that we can then continue to grow.

To finance this growth, we will, as planned, leverage more than 150 million euros in synergies from 2021 onwards. I can already assure you of this today.

A further strategic goal is the expansion of the specialty business. At the end of March this year, we entered into an agreement with an Australian company called "Kalium Lakes", to purchase up to 90,000 tonnes annually of potassium sulfate, a specialty fertilizer.

The ten-year contract secures K+S full access to potassium sulfate production in Australia. Incidentally, the agreement does not involve any capital investment on the part of K+S. This also pays off in terms of reducing our debt.

The additional quantities will supplement our own potassium sulfate production in Germany. At the same time, we will be able to supply existing customers better and acquire new customers.

Ladies and Gentlemen, an important strategic goal is to think and act as "one company, one team".

Networked cooperation across all borders – that's what we've set out to do, and now we're implementing it one piece at a time. An important prerequisite has been created with the matrix organization described earlier. The Board and the executive management informed our team and explained the related changes at various events last year. Today, we're experiencing the new organization on a daily basis, with more and more teams working together across countries and functions. We have become more courageous, more open and willing to change.

Ladies and Gentlemen, we have firmly anchored our self-image as a sustainably operating company in our strategy, and that is no lip service!

We have set ourselves ambitious goals in the areas of people, the environment and business ethics. Each member of the Board of Executive Directors is a personal sponsor of individual goals and actively promotes their implementation.

It remains our top priority to provide our employees with a healthy and safe working environment in order to protect them as best as possible from any dangers. Every accident is one accident too many!

For us, being sustainable also means pursuing new and innovative approaches.

We have set out on the search for innovative approaches and concepts in order to be able to further significantly reduce the constantly accumulating tailings pile water.

With our online Brine Challenge we have received ideas from scientists, companies, institutes, students as well as lay people from 16 countries. A jury consisting of external and K+S internal experts has evaluated the 44 proposals in recent weeks.

We will be announcing the two best ideas shortly and awarding prizes of EUR 20,000 each.

Turning away from strategy, I would like to take this opportunity to comment on an initiative that is important to us. I'm talking about the "Open to Diversity - Closed to Exclusion" campaign. Together with companies from the region, we're setting an example of open-mindedness and tolerance. All of our colleagues support this initiative. The collective message is: We are many and we do not give intolerance and xenophobia a chance!

Ladies and Gentlemen, Let's look at the current financial year.

The key figures for the first quarter of 2019 show that we have started the new year with great momentum and success. Revenues increased by a total of 8 percent and our operating earnings EBITDA by as much as 14 percent compared with the previous year.

Almost two-thirds of EBITDA was generated by the Europe+ operating unit and around one-third by the Americas unit. In addition to our strategic measures, the good market environment for fertilizers and industrial products as well as the winter weather helped.

For the first time, we have now also published key figures for our new customer segments. Let me give you some examples of agriculture and industry:

In agriculture, our largest customer segment, we achieved a 31 percent increase in EBITDA. Here, we were able to benefit from higher fertilizer prices.

In the industry customer segment, EBITDA was similarly high as in the previous year. Demand from the chemical, plastics, textile, and pharmaceutical industries was good.

I would like to highlight the very positive development of our free cash flow: at 233 million euros, we are 63 percent higher than in the first quarter of 2018! This is the best free cash flow in a quarter in 8 years.

As you can see, we're on the right track both strategically and operationally!

This brings me to the outlook for 2019.

My colleagues on the Board of Executive Directors and I see many positive signals for the current year. The market environment for fertilizers remains favorable. Global demand should be at least stable in the further course of the year. For our product portfolio in the agriculture customer segment, we expect moderately rising average prices and higher sales volumes.

In Bethune, we want to produce 1.7 to 1.9 million tonnes of potash. We have a clear timetable for significantly improving the quality of our products once again by the end of 2019.

As already mentioned, we do not expect any weather-related interruptions to production at the Werra site this year either.

We have made a good start to the new year in the de-icing salt business.

We also expect positive earnings effects from the further implementation of our strategy. At the same time, we remain economical and disciplined in our spending.

What does this mean for our result?

We expect an EBITDA of between 700 and 850 million euros for 2019.

This would mean an improvement in earnings of 16 percent and 41 percent, respectively, compared with the previous year. And: We want to and will achieve a positive free cash flow again this year. We will be committed to this with perseverance and consistency.

I would like to thank you, also on behalf of my colleagues on the Board of Executive Directors, for your trust and support.

To all of you, a warm "Glückauf"!