ANNUAL REPORT 2015

Experience growth.

DEVELOPMENT OF FORECASTS FOR THE FULL YEAR 2015

		Financial Report 2014	Q1/15	H1/15	Q3/15	Actual 2015	Outlook 2016
K+S Group							
Revenues	€ billion	moderate increase	significant increase	4.35 – 4.55	4.30 – 4.50	4.18	moderate decrease
EBITDA[1]	€ billion	significant increase	significant increase	1.06 – 1.14	1.06 – 1.11	1.06	significant decrease
Operating profit (EBIT I)	€ million	significant increase	significant increase	780 – 860	780 – 830	782	significant decrease

[1] Adjusted for the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.

REVIEW 2015

February 2015	June 2015	August 2015	September 2015	October 2015	November 2015
Optimisation of the global IT infrastructure of the K+S Group through partnership with Atos	Work started on the construction of the new port facility in Vancouver for loading and storage of potash products from the new K+S Legacy site Publication of proposal by Canadian company, PotashCorp, to take over all K+S shares	K+S and Koch Fertilizer sign an exclusive framework agreement for the distribution and marketing of potash fertilizers from the Legacy site	Opening ceremony for the new K+S Group Analysis and Research Centre (AFC) in Unterbreizbach K+S joins United Nations Global Compact	PotashCorp withdraws takeover proposal	Presentation of K+S management agenda on Capital Markets Day at Merkers

CONTENT

[1] The Management Report of K+S Aktiengesellschaft and the Group Management Report for the 2015 financial year are combined. The annual financial statements of K+S Aktiengesellschaft in accordance with the German Commercial Code (HGB) and the combined Management Report are published simultaneously in the German Federal Gazette (Bundesanzeiger).

TEN-YEAR SUMMARY K+S GROUP [1]

		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Profit and Loss											
Revenues	€ million	4,175.5	3,821.7	3,950.4	3,935.3	3,996.8	4,632.7	3,573.8	4,794.4	3,344.1	2,957.7
– thereof Potash and Magnesium Products business unit	€ million	2,091.3	1,884.0	2,037.6	2,290.6	2,133.6	1,867.0	1,421.7	2,397.4	1,407.9	1,238.9
– thereof Salt business unit	€ million	1,925.2	1,778.5	1,751.4	1,484.8	1,710.1	1,728.8	1,014.6	618.6	545.1	485.8
Earnings before interest. taxes. depreciation and amortisation (EBITDA) [2]	€ million	1,057.5	895.5	907.2	1,033.3	1,146.0	953.0	411.8	1,484.4	413.9	401.1
– thereof Potash and Magnesium Products business unit [2]	€ million	689.2	618.5	667.5	867.2	833.8	567.1	317.2	1,286.3	255.1	235.7
– thereof Salt business unit	€ million	381.0	276.0	235.9	179.5	337.9	369.7	200.3	77.6	76.5	92.0
EBITDA margin	%	25.3	23.4	23.0	26.3	28.7	20.6	11.5	31.0	12.4	13.6
Depreciation [3]	€ million	275.9	254.3	251.3	229.2	239.8	238.5	173.8	141.7	128.2	123.1
Operating earnings (EBIT I)	€ million	781.6	641.3	655.9	804.1	906.2	714.5	238.0	1,342.7	285.7	278.0
– thereof Potash and Magnesium Products business unit	€ million	546.1	488.8	552.5	770.9	739.5	475.9	231.7	1,203.2	177.9	158.6
– thereof Salt business unit	€ million	266.3	172.9	117.8	61.6	211.4	238.1	140.4	45.2	47.8	67.6
EBIT I margin	%	18.7	16.8	16.6	20.4	22.7	15.4	6.7	28.0	8.5	9.4
– Potash and Magnesium Products business unit	%	26.1	25.9	27.1	33.7	34.7	25.5	16.3	50.2	12.6	12.8
– Salt business unit	%	13.8	9.7	6.7	4.1	12.4	13.8	13.8	7.3	8.8	13.9
Group earnings from continued operations. adjusted [4]	€ million	542.3	366.6	437.1	538.1	625.6	453.8	93.6	979.3	175.3	176.2 [5]
Earnings per share from continued operations. adjusted [4]	€	2.83	1.92	2.28	2.81	3.27	2.37	0.56	5.94	1.06	1.07 [5]
Cash flow											
Operating Cash flow	€ million	669.4	719.1	755.7	607.2	633.4	826.4	534.8	802.7	– 108.3	202.4
Capital expenditure [3]	€ million	1,278.8	1,153.2	742.5	465.5	293.1	188.6	177.6	197.5	171.6	130.5
Adjusted Free Cash flow	€ million	– 635.9	– 306.3	48.7	199.1	216.6	667.3	– 811.1	605.5	– 258.5	– 272.4
Balance Sheet											
Balance sheet total	€ million	8,273.6	7,855.2	7,498.2	6,596.6	6,056.9	5,573.7	5,217.1	3,473.8	2,964.8	2,830.9
Equity	€ million	4,295.6	3,974.5	3,396.6	3,393.9	3,084.6	2,651.6	2,094.6	1,718.3	931.8	1,124.3
Equity ratio	%	51.9	50.6	45.3	51.4	50.9	47.6	40.1	49.5	31.4	39.7
Net debt as of 31 Dec.	€ million	2,399.8	1,626.2	1,037.0	827.3	610.8	732.5	1,351.3	570.0	1,085.1	718.3
Net debt / EBITDA	x	2.3	1.8	1.1	0.8	0.5	0.8	3.3	0.4	2.6	1.8
Working capital	€ million	945.9	768.1	844.9	1,025.7	840.9	959.4	970.5	962.3	570.6	603.1
Return on Capital Employed (ROCE)	%	12.5	12.7	15.2	19.9	25.2	22.0	9.3	64.0	15.5	17.4
Employees											
Employees as of 31 Dec. [6]	number	14,383	14,295	14,421	14,362	14,338	14,186	15,208	12,368	12,033	11,873
Average number of employees [6]	number	14,276	14,295	14,348	14,336	14,155	14,091	13,044	12,214	11,959	11,392
The Share											
Book value per share	€	22.44	20.77	17.75	17.73	15.86	13.85	10.94	10.41	5.65	6.81
Dividend per share [7]	€	1.15	0.90	0.25	1.40	1.30	1.00	0.20	2.40	0.50	0.50
Dividend yield [7]	%	4.9	3.9	1.1	4.0	3.7	1.8	0.5	6.0	1.2	2.4
Closing price as of 31 Dec. [8]	XETRA, €	23.62	22.92	22.38	35.00	34.92	56.36	39.99	39.97	40.69	20.55
Market capitalisation	€ billion	4.5	4.4	4.3	6.7	6.7	10.8	7.7	6.6	6.7	3.4
Enterprise value as of 31 Dec.	€ billion	6.9	6.1	5.3	7.5	7.3	11.5	9.0	7.2	7.8	4.1
Average number of shares [9]	million	191.40	191.40	191.40	191.40	191.33	191.34	166.15	164.95	164.94	164.96

UNITS AT A GLANCE [1]

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

in € million	2015	2014	2013	2012	2011
Revenues	2,091.3	1,884.0	2,037.6	2,290.6	2,133.6
EBITDA [2]	689.2	618.5	667.5	867.2	833.8
EBIT I	546.1	488.8	552.5	770.9	739.5
Capital expenditure	1,145.0	1,040.4	606.5	332.9	162.1
Employees (number)	8,404	8,299	8,367	8,310	8,188

Potash and magnesium crude salts are extracted at six mines. We use them to produce a wide range of plant nutrients 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

in € million	2015	2014	2013	2012	2011
Revenues	1,925.2	1,778.5	1,751.4	1,484.8	1,710.1
EBITDA	381.0	276.0	235.9	179.5	337.9
EBIT I	266.3	172.9	117.8	61.6	211.4
Capital expenditure	118.1	87.5	107.4	111.3	112.3
Employees (number)	5,054	5,075	5,091	5,092	5,230

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 European countries as well as in North and South America.

COMPLEMENTARY ACTIVITIES

in € million	2015	2014	2013	2012	2011
Revenues	157.7	158.3	159.4	153.7	150.4
EBITDA	35.0	34.3	31.7	28.3	29.0
EBIT I	26.4	24.2	24.7	21.1	17.9
Capital expenditure	6.5	5.1	3.4	6.3	4.3
Employees (number)	281	289	293	293	290

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.

[1] Information refers to the continued operations of the K+S Group.
[2] Adjusted for the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.

← Footnotes Ten-Year Summary

[1] Unless stated otherwise, 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. The balance sheet and therefore the key figures working capital, net debt, net debt / EBITDA and book value per share also include in 2010 the discontinued operations of the COMPO business and in 2011 also the discontinued operations of the nitrogen business.
[2] Adjusted for the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.
[3] Investments in or earnings-effective depreciation on property, plant and equipment, intangible assets and investment properties as well as depreciation on financial assets.
[4] 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 154). In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2015: 28.7% (2014: 28.6%).
[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] The figure for 2015 corresponds to the dividend proposal; the dividend yield is based on the year-end closing price.
[8] The price of the K+S share since the capital increase in December 2009 has been traded ex subscription right. Historical values were not adjusted.
[9] Total number of shares less the average number of own shares held by K+S.

In this Annual Report rounding differences may arise in percentages and numbers.

PREAMBLE
KASSEL, 26 FEBRUARY 2016

Dear Shareholders, dear Sir or Madam,

We have a clear vision. We want to be a source of growth and life through nutrients and minerals. We have more than 14,000 employees working each day to mine and process raw materials. The products and services that we provide help to improve nutrition, health and quality of life. Our level of vertical integration is exceptional. Raw materials and related sectors are fundamental to our continued growth.

LEGACY TAKES US TO ANOTHER LEVEL

This year, we are all looking forward to one of the most important events in the history of our company – the commissioning of our new potash mine, 'Legacy', in the Canadian province of Saskatchewan. Over four billion Canadian dollars were invested during the five-year construction time in order to strengthen our raw material and production base and enough steel was used to build five Eiffel Towers. Legacy is taking us to another level. We will have access to high-grade resources for generations to come and our average production costs will fall significantly. K+S will be the only potash supplier in the world with production sites on two continents and we will be able to tap into markets in which we are not yet adequately represented. Soon we will see the results of our effort. Potash continues to be an essential nutrient for all plant growth to feed the world.

PROSPERITY DOESN'T JUST HAPPEN AUTOMATICALLY

As a company that mines raw material, we acknowledge that long-term commercial success is not based solely on compliance with laws and legislation. Public acceptance is also essential. At the same time, however, we need a new social consensus acknowledging that industrial added value is the foundation of our prosperity. One can really sense that more and more limits are being set in terms of our industrial and technological development, often due to a fear of being regarded as anti-environment. However, what we need now more than ever is an appropriate balance between ecological and economic requirements.

In summer 2015, we commissioned our new Analysis and Research Centre. This has created jobs in an economically underdeveloped region and means we can optimise production processes under realistic conditions. This is mainly to further reduce quantities of unavoidable residue resulting from potash production, which is economically advantageous for us as well. And yes, it is true. Industry is sometimes unpleasant in terms of noise, smell, and effects on the environment. But, as our new Analysis and Research Centre shows, we are working very hard to minimise the level of interference and impact on nature and people. We are offsetting it where possible and are developing solutions that enable us to avoid this impact in the first place. This conforms to our understanding of sustainability.

We take the links between economic, ecological and social interests seriously, which we demonstrate for the first time in an integrated annual report covering the 2015 financial year. We have signed up to the Global Compact in September 2015. This underlines our support for the ten principles in the areas of human rights, labour, environment and anti-corruption.

2015 FINANCIAL YEAR: A GOOD RESULT

In 2015, all raw material markets suffered from price decreases, some of which were significant. These were mostly triggered by increasing economic difficulties in the major emerging market countries. The potash market was not unaffected, but price decreases were not as strong. In Germany, important permits for the handling of unavoidable potash-mining residue could not be obtained in time or for the necessary quantities. In addition, winter set in late in both Europe and North America, so 2015 was not without challenges.

Nevertheless, our performance last year was very respectable. Despite increasing price pressure in the raw material markets and global economic downturn, in comparison to the previous year and in line with our forecast, there was a significant increase not only in revenues, which rose to € 4,175.5 million (2014: € 3,821.7 million), but also in the EBIT I figure, which rose to € 781.6 million (2014: € 641.3 million). Above all, this is thanks to the dedication and hard work of our global team of over 14,000 employees.

The long-term development of K+S has been remarkable, with a fourfold increase in revenues since the year 2000. Not taking into account tax, depreciation and amortisation, there has actually been a fivefold increase in EBITDA. Canadian competitor PotashCorp has also clearly seen the company's growth potential. They approached us in the spring of 2015 with an unsolicited offer to buy K+S at € 41 per share. Following a detailed review, both the Board of Executive Directors and the Supervisory Board of K+S Aktiengesellschaft decided that the proposed transaction did not reflect the fundamental value of K+S, and was not in the best interests of the company. Considering what we have achieved already, in the long term we see much more potential in K+S remaining an independent company.

GEARED FOR GROWTH

The only way for us to enjoy sustainable success as a raw materials company in the future is by delivering long-term, economically viable solutions and not only focusing on short-term yields.

Our task is to position K+S so that we are well prepared for the constantly changing requirements of the years to come. Above all, that means working on what we can influence directly – our processes, structures and our costs. In 2015, as part of the 'Fit for the Future' programme, our IT unit became leaner and central production control was introduced for locations in Germany in the Potash and Magnesium Products business unit. There was also a Group-wide increase in efficiency. Further measures are lined up for 2016 and we have put together a strong team to implement them. Our goal is to make improvements and savings that are sustainable in the long term, and together we will achieve this goal!

Cost savings, however, will not be enough. We need to become more flexible and use our specialties and broad product range to distinguish ourselves even more from the competition. In the Potash and Magnesium Products business unit, this will happen by strengthening our potash specialties, for example through product innovations in the area of fertigation, i. e. liquid fertilization. In 2015, despite the unusually warm weather at the end of the year, the Salt business unit delivered its best result to date, but we will not stop there! In line with our 'Salt 2020' strategy, we are continually striving to improve profitability and become less dependent on the winter business. Almost 60 % of revenue is already generated from food grade salt and products for industrial applications such as the production of medicines, plastics and glass. Above and beyond this, we want to further strengthen our global presence, and see a lot of potential in the Asian market.

EBITDA GOAL FOR 2020

The Legacy Project, 'Salt 2020' and 'Fit for the Future' are the cornerstones of K+S Group's growth. They will allow us to significantly reduce our debt within a short time period. Our Group's goal to reach EBITDA of around € 1.6 billion by 2020 is of course ambitious in the light of falling raw material prices and high product availability. Nevertheless, we will continue to work towards it.

We stand behind the company and will continue to present a strong K+S!

Warm regards,

NORBERT STEINER
CHAIRMAN
OF THE BOARD OF EXECUTIVE DIRECTORS

THE BOARD OF EXECUTIVE DIRECTORS

NORBERT STEINER
LAWYER, CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS

was born in Siegen in 1954. After studying law in Heidelberg and completing a legal traineeship in the district of the Higher Regional Court of Karlsruhe, Steiner began his professional career in the tax department of BASF AG in 1983, heading the customs and excise duties sub-department from 1988 onwards. He took charge of the legal affairs, tax and insurance department of K+S AKTIENGESELLSCHAFT in 1993. Norbert Steiner became a member of the Board of Executive Directors in May 2000. In January 2006, he was appointed 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, Corporate Executive HR, Governance/Risk/Compliance/Corporate Secretary, Internal Auditing and Investor Relations departments.

DR BURKHARD LOHR
BUSINESS ADMINISTRATION GRADUATE

was born in Essen in 1963. After studying business administration at the University of Cologne he joined MANNESMANN AG in 1991. From 1993 onwards, he held a number of positions at HOCHTIEF AG, Essen, including as member of the Management of the Munich branch and as CFO of HOCHTIEF CONSTRUCTION AG, Essen. He obtained his Dr rer. pol. degree from TECHNISCHE UNIVERSITÄT BRAUNSCHWEIG in 2001. 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. Dr Burkhard Lohr has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since 1 June 2012 and is responsible for Corporate Controlling, Corporate Finance and Accounting, Corporate Procurement, Corporate Tax, Technical Center (Environment, Geology, Mining, Research and Development, Technics/Energy) and all direct shareholdings of K+S AKTIENGESELLSCHAFT, as far as they are not assigned to another area of responsibility.

MARK ROBERTS
BACHELOR OF SCIENCE (MARKETING)

was born in New Jersey, USA, in 1963. He began his professional career as a marketing manager at the VICTAULIC CORPORATION OF AMERICA. He then joined the ASHLAND CHEMICAL COMPANY as a sales representative and national account manager in 1988. Roberts joined POTASH IMPORT & CHEMICAL CORPORATION (PICC), the US distribution company of K+S KALI, as a sales manager in 1992 and he subsequently became the company's Vice President. He was appointed President of PICC in 2004 and named CEO of the INTERNATIONAL SALT COMPANY (ISCO) in Clarks Summit, Pennsylvania, USA, in April 2008. Mark Roberts became CEO of MORTON SALT in Chicago, USA, on 1 October 2009. He has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since 1 October 2012. He is responsible for the Salt business unit and for Animal Hygiene Products.

The image shows the board members of the K+S Aktiengesellschaft (from left to right) Dr Thomas Nöcker, Dr Andreas Radmacher, Norbert Steiner, Mark Roberts and Dr Burkhard Lohr in the pilot plant of the new K+S analysis and research centre (AFC) in front of test facilities for the optimisation and further development of potash and salt processing. More information on AFC can be found on page 34.

DR ANDREAS RADMACHER [1]
ENGINEERING GRADUATE

was born in Dortmund in 1965. After studying mining in Clausthal-Zellerfeld and Aachen, Radmacher became a research assistant at DMT GMBH in Essen. During this period he also obtained a doctorate in engineering. In 1995, Radmacher joined STEAG AG. After a spell at a power plant site, he worked at the company's head office in Essen. He then joined the US American ENRON group, working in various roles in London, Oslo and Frankfurt am Main from 1998 onwards. Radmacher changed to RWE in 2002 and became a member of the Board of Executive Directors of RWE TRANSGAS A.S. in Prague. He was appointed to the Board of Executive Directors of RWE ENERGY AG in 2003 and went on to become CEO of RWE TURKEY HOLDING A.S. in Istanbul in 2009. Dr Andreas Radmacher has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since September 2013. He was responsible for the business unit Potash and Magnesium Products as well as Waste Management and Recycling.

[1] The current mandate of Dr Radmacher effective until 31 August of this year was not extended. He left the company with effect from 29 February 2016. Norbert Steiner will temporarily take over the duties of Dr Radmacher.

DR THOMAS NÖCKER
LAWYER

was born in Neukirchen-Vluyn in 1958. After studying law and subsequently obtaining a doctorate from the University of Münster, Nöcker completed his legal training in Düsseldorf and Montreal, Canada, among other places. He began his professional career in 1991 at RAG AG, where he held a range of different positions. He was appointed as a member of the Board of Executive Directors of RAG SAARBERG AG in 1998 and was responsible for human resources, 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 the Personnel Director and is responsible for Corporate HR, Corporate IT, Business Center (Communication Services, Financial Accounting, HR Services, Insurances, IT Services, Legal, Logistics Europe, Procurement & Material Management Europe, Project Management, Real Estate, Facility Management) and K+S TRANSPORT GMBH.

SUPERVISORY BOARD REPORT

Dear Sir or Madam,

The following Supervisory Board report provides information about the activities of the Supervisory Board during the 2015 financial year and the findings of the audit of the 2015 annual financial statements and consolidated financial statements.

The Board's meetings and discussions focused primarily on the following items:

+ The business situation of the K+S GROUP,
+ The K+S GROUP strategy,
+ The unsolicited proposal by POTASH CORPORATION OF SASKATCHEWAN INC. (POTASHCORP) to take over all K+S AKTIENGESELLSCHAFT shares (with the assistance of external legal and business consultants),
+ The disposal of saline wastewater,
+ The progress of the Legacy Project,
+ The implementation of the German Act on Equal Participation of Women and Men in Management Positions and
+ The selection of suitable candidates for Board of Executive Directors and Supervisory Board appointments.

ADVICE TO THE BOARD OF EXECUTIVE DIRECTORS AND MONITORING OF MANAGEMENT

The Supervisory Board diligently performed the control and consultancy tasks imposed on it by law, the Articles of Association and its bylaws during the 2015 financial year. Numerous matters were discussed in depth and resolutions were adopted regarding transactions requiring approval. We monitored the Board of Executive Directors' executive management on an ongoing basis and advised the latter on the management of the Company. We were always involved in decisions of fundamental importance in a timely and appropriate manner. The Board of Executive Directors informed us on a regular basis, promptly and comprehensively, also via conference calls, for example, about the course of business, the earnings and financial position and assets and liabilities, the employment situation, the progress of important investment projects (primarily the Legacy Project and water protection measures), planning and the further strategic development of the Company. Deviations from plans were explained to the Supervisory Board in detail. The risk situation and risk management were always carefully considered. We were also promptly and comprehensively informed about the developments related to the proposal by POTASHCORP to take over all K+S shares at a price of € 41 per share, subject to due diligence. In addition, the Board of Executive Directors provided us with a proposal regarding this issue, so that we could assess the overall circumstances, together with external legal and business consultants, carefully. The Supervisory Board regularly received written reports from the Board of Executive Directors in order to prepare for meetings. The Chairman of the Supervisory Board also remained in close communication with the Board of Executive Directors outside of meetings and discussed significant events and upcoming decisions with it. The shareholder and employee representatives discussed important agenda items at separate meetings prior to meetings of the Supervisory Board.

The average attendance of the 16 Supervisory Board members at the eight Supervisory Board meetings was 97 % during the reporting period. Five meetings were attended by all Supervisory Board members, two members were unable to attend one meeting and at two meetings one member respectively gave their apologies. Thus, in 2015, no Supervisory Board member attended fewer than half of the meetings. Five of the six members attended the three meetings of the Audit Committee. While meetings of the Nomination Committee were attended by all members, one Supervisory Board member was unable to attend one Personnel Committee meeting.

COMPOSITION OF THE SUPERVISORY BOARD AND BOARD OF EXECUTIVE DIRECTORS

At its meeting in August, the Supervisory Board extended the term of office of the Chairman of the Board of Executive Directors, Dr Thomas Nöcker, which was due to end on 31 July 2016, to 31 August 2018.

The following changes were made to personnel on the Supervisory Board: Supervisory Board members, Dr Bernd Malmström and Dr Rudolf Müller, gave notice of their intention to stand down from their position with effect from the end of the Annual General Meeting on 12 May 2015. The Supervisory Board is indebted to both these retiring Board members for their commitment and long service. The Annual General Meeting acted on the proposal made by the Supervisory Board that Philip Freiherr von dem Bussche and Dr Andreas Kreimeyer be elected to the Supervisory Board for the period from the end of the Annual General Meeting on 12 May 2015 to the end of the Annual General Meeting in the 2019 financial year. The Annual General Meeting also approved the proposal to re-elect George Cardona to the Board, whose term of office would have expired at the end of the Annual General Meeting on 12 May 2015, until the end of the Annual General Meeting in the 2019 financial year. Dr Rainer Gerling stepped down from his position on the Supervisory Board on 31 December 2015 owing to his appointment to the Board of Directors of K+S KALI GMBH. The Supervisory Board expresses its thanks to Dr Gerling for many years of constructive cooperation and wishes him all the best for his new post. In his place, Gerd Kübler, Head of Production and Technology Underground at the Neuhof-Ellers potash plant, was legally appointed as a member of the Supervisory Board acting as executive staff representative with effect from 1 January 2016.

SUPERVISORY BOARD MEETINGS

A total of four ordinary and four extraordinary Supervisory Board meetings were held during the 2015 financial year.

An extraordinary meeting of the Supervisory Board was held on 27 January 2015. The focus of the meeting was the potential conclusion of an agreement under public law with the state of Hesse as part of the long-term concept for the disposal of saline wastewater at K+S KALI GMBH's Werra and Neuhof-Ellers sites.

At the ordinary meeting held on 11 March 2015, the Supervisory Board reviewed the annual financial statements, the consolidated financial statements and the management reports in the presence of the auditor, approved the financial statements on the recommendation of the Audit Committee and agreed to the proposal of the Board of Executive Directors for the appropriation of profits for the 2014 financial year following extensive discussions. The business situation and the outlook for the current year were discussed in depth and the proposed resolutions for the 2015 Annual General Meeting approved.

At the ordinary meeting held on 11 and 12 May 2015, the Board of Executive Directors provided comprehensive information about the development of the business situation and the result in the first quarter and reported on the current status of the various approval processes for the disposal of saline wastewater and the planned agreement under public law with the state of Hesse. The Supervisory Board also appointed Philip Freiherr von dem Bussche and Dr Andreas Kreimeyer to the Nomination Committee following the retirement of Dr Malmström and Dr Müller.

The proposal by POTASHCORP to take over all K+S shares at a price of € 41 per share, subject to due diligence, was discussed in depth at the extraordinary meetings on 20 June and 2 July 2015. On 20 June 2015, the Supervisory Board acted on the proposal of the Board of Executive Directors and set up an ad hoc committee comprising five Supervisory Board members for the purpose of efficient decision-making. On 2 July 2015, following its own careful review and consideration of the overall circumstances, the Supervisory Board voted unanimously to act on the Board of Executive Directors' proposal and inform POTASHCORP that a potential public takeover bid to K+S shareholders was not supported under the terms and conditions promised at that point in time. The Supervisory Board espoused the view of the Board of Executive Directors that: the bid price promised by POTASHCORP of € 41 per share did not reflect the fundamental value of K+S appropriately,

+ based on knowledge of the intentions and interests of POTASHCORP at the time of the meeting the proposed transaction was not in the best interests of K+S and, moreover, did not take account of the best interests of the employees working for K+S across the world or the regions in which the company conducts its business responsibly.

The Supervisory Board also discussed the unamended proposal by POTASHCORP with external legal and corporate advisors at the ordinary meeting held between 25 and 27 August 2015 and adhered to the outcomes of the previous analysis. Furthermore, the resolutions required to implement the new regulations in the German Act on Equal Participation of Women and Men in Management Positions were passed. The Board of Executive Directors' report and the extensive discussion on the strategic orientation of the K+S GROUP represented an additional focus. The Board of Executive Directors also reported on the current status of the draft of a management plan for Werra and Weser to be drawn up in accordance with the EU Water Framework Directive and of the various approval processes for the disposal of saline wastewater.

/ THE DEFINED TARGET FIGURES FOR THE PERCENTAGE OF WOMEN ON THE BOARD OF EXECUTIVE DIRECTORS AND AT MANAGERIAL LEVELS BELOW THE BOARD OF EXECUTIVE DIRECTORS:
'Declaration on Corporate Governance', page 51

At the extraordinary meeting on 15 October 2015, the Supervisory Board discussed options for the further strategic development of the K+S GROUP. The Board of Executive Directors also reported on the withdrawal of the proposal by POTASHCORP to take over K+S shares, the searches made by the Meiningen public prosecutor's office and the subject of saline wastewater disposal.

At the last ordinary meeting of the year on 25 November 2015, the Board of Executive Directors reported in detail on the position with regard to the disposal of saline wastewater, in particular the ongoing examination of the application by K+S KALI GMBH for a licence to dispose of saline wastewater generated by the Werra plant in the ground after 30 November 2015, and the possibility of a limited licence for a transition period under discussion by the licensing authority. Finally, the Board of Executive Directors explained the current business situation in the individual business units and provided a forecast of the anticipated revenues and earnings of the K+S GROUP in 2015. The Supervisory Board also discussed the Legacy Project and was given a detailed report of the project's progress and further development by project manager, Dr Ulrich Lamp. K+S GROUP planning for 2016, including the investment and financing framework conditions, was examined in depth (also in terms of conformity with strategic objectives) and then approved. Furthermore, approval was given to the 2015/2016 joint declaration on conformity by the Board of Executive Directors and the Supervisory Board.

/ THE 2015/2016 DECLARATION ON CONFORMITY: 'Declaration on Corporate Governance', page 51

COMMITTEE MEETINGS

In addition to the Mediation Committee required by law, the Supervisory Board has established three further committees to support its tasks and responsibilities: the Audit Committee, the Personnel Committee and the Nomination Committee. An overview of these committees and their composition can be found in the Management Report on page 56 and on the K+S AKTIENGESELLSCHAFT website under 'Corporate Governance'.

The Audit Committee met three times in 2015. On 27 February 2015, in the presence of the auditor as well as the Chairman of the Board of Executive Directors and the Chief Financial Officer, the committee examined the 2014 annual financial statements of K+S AKTIENGESELLSCHAFT, the 2014 consolidated financial statements, the combined management report as well as the proposal of the Board of Executive Directors for the appropriation of profits and recommended proposal to the Annual General Meeting that DELOITTE & TOUCHE GMBH again be elected as auditor. On 27 August 2015, the committee discussed the K+S GROUP's internal control system in detail with the Chairman of the Board of Executive Directors and the Chief Financial Officer, and in particular the system for internal monitoring of accounting procedures. Moreover, the committee acknowledged and approved the report delivered by the Chairman of the Board of Executive Directors on the status of the compliance organisation and compliance programme of the K+S GROUP. Finally, the committee discussed the key areas of the 2015 audit. At the meeting on 25 November 2015, the Board of Executive Directors reported on developments with regard to consultancy fees and donations. The committee also acknowledged and approved the report prepared by the Internal Audit Manager on internal audit work within the K+S GROUP.

The respective Quarterly Financial Reports awaiting publication were discussed by the members of the Audit Committee, the Chairman of the Board of Executive Directors and the Chief Financial Officer in conference calls held on 4 May, 10 August and 6 November 2015.

The Personnel Committee, which prepares personnel decisions made by the Supervisory Board and is responsible for other matters concerning the Board of Executive Directors, met a total of three times in 2015. During the meetings, it dealt in particular with the structure and long-term succession planning of the Board of Executive Directors. It also focused on agreeing on targets and their attainment by the members of the Board of Executive Directors, the appropriateness of the remuneration of the Board of Executive Directors in relation to senior management and the total workforce, the German Act on Equal Participation of Women and Men in Management Positions as well as the adjustment of the remuneration of the Board of Executive Directors and the upper limits on pensions from 2016. Preparations were also made for the extension of the term of office of Dr Nöcker. Detailed information about the level of remuneration of the Board of Executive Directors in 2015 as well as the structure of the remuneration system, which has not changed significantly since its approval by the Annual General Meeting on 11 May 2010, can be found on pages 121–127.

The members of the Nomination Committee met once in 2015. The subject of discussions held related mainly to the Supervisory Board's long-term succession planning.

Again, the Mediation Committee did not meet in the past financial year.

CONFLICTS OF INTERESTS

No conflicts of interests involving members of the Board of Executive Directors or of the Supervisory Board, about which the Annual General Meeting needed to be informed, were disclosed to the Supervisory Board during the reporting period.

AUDIT OF THE 2015 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

DELOITTE & TOUCHE GMBH, Hanover, audited the annual financial statements of K+S AKTIENGESELLSCHAFT, which were prepared by the Board of Executive Directors in accordance with the rules set out in the GERMAN COMMERCIAL CODE (HGB), and the consolidated financial statements, which were prepared on the basis of the IFRS INTERNATIONAL FINANCIAL REPORTING STANDARDS, as well as the combined management report and Group management report for the 2015 financial year, and issued unqualified audit certificates in each case. The aforementioned documents, the Board of Executive Directors' recommendation concerning the appropriation of the accumulated profit and the audit reports of DELOITTE & TOUCHE GMBH, each of which had been submitted to the members of the Audit Committee and the Supervisory Board on time, were each dealt with comprehensively at the Audit Committee meeting held on 26 February 2016, as well as at the Supervisory Board meeting held on 9 March 2016, in the presence of the auditor. All questions raised at the meetings were answered satisfactorily by the Board of Executive Directors and the auditor. Following its own examination of the annual financial statements, the consolidated financial statements, the combined management report and the Group management report, the Supervisory Board did not raise any objections. It agreed with the Board of Executive Directors in its assessment of the position of K+S AKTIENGESELLSCHAFT and of the Group and, at the suggestion of the Audit Committee, approved the financial statements for the 2015 financial year, thereby ratifying the 2015 annual financial statements of K+S AKTIENGESELLSCHAFT. The Supervisory Board also concurred with the proposal of the Board of Executive Directors for the Declaration on Corporate Governance (page 51). The resolution on the appropriation of profits proposed by the Board of Executive Directors was also examined, particularly with regard to the present and expected future financial situation of the K+S GROUP. Following extensive discussions, the Supervisory Board also approved this proposal made by the Board of Executive Directors.

The Supervisory Board expresses its thanks to the members of the Board of Executive Directors, all employees and employee representatives for their continued high level of commitment and the successful work done during the past financial year.

ON BEHALF OF THE SUPERVISORY BOARD

Ralf Bethke

DR RALF BETHKE
CHAIRMAN OF THE SUPERVISORY BOARD

KASSEL, 9 MARCH 2016

K+S ON THE CAPITAL MARKET

CAPITAL MARKET DATA

TAB: 0.0.1

		2015	2014	2013	2012	2011
Closing price on 31 December	XETRA, €	23.62	22.92	22.38	35.00	34.92
Highest price	XETRA, €	38.81	26.60	37.53	40.86	58.60
Lowest price	XETRA, €	22.40	19.44	15.92	30.40	33.35
Average number of shares [1]	million	191.40	191.40	191.40	191.40	191.33
Market capitalisation on 31 December	€ billion	4.5	4.4	4.3	6.7	6.7
Average daily trading volume	million units	2.21	1.92	2.75	1.27	1.42
Enterprise value (EV) on 31 December	€ billion	6.9	6.1	5.3	7.5	7.3
Enterprise value to revenues (EV/revenues)	x	1.7	1.6	1.4	1.9	1.8
Enterprise value to EBITDA (EV/EBITDA)	x	6.5	6.8	5.9	8.3	6.4
Enterprise value to EBIT I (EV/EBIT I)	x	8.8	9.5	8.1	11.5	8.0
Book value per share	€/share	22.44	20.77	17.75	17.73	16.12
Earnings per share, adjusted [2,3]	€/share	2.83	1.92	2.28	3.33	3.04
Dividend per share [4]	€/share	1.15	0.90	0.25	1.40	1.30
Total dividend payment [4]	€ million	220.1	172.3	47.9	268.0	268.0
Payout ratio [4,5]	%	40.6	47.0	10.9	42.0	42.8
Dividend yield (closing price) [4]	%	4.9	3.9	1.1	4.0	3.7

[1] Total number of shares less the average number of own shares held by K+S.
[2] The adjusted key figures include the result from operating forecast hedges in the respective reporting period, which eliminates effects from fluctuations in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project) (see also the 'Explanation of the income statement and the statement of comprehensive income' on page 154). Related effects on deferred and cash taxes are also eliminated; tax rate in 2015: 28.7 % (2014: 28.6 %).
[3] This information refers to continued and discontinued operations of the K+S Group.
[4] The figure for 2015 corresponds to the dividend proposal.
[5] Based on adjusted Group earnings after taxes.

K+S SHARE

Share type: no-par value shares
Total number of shares: 191,400,000 units
WKN/ISIN: KSAG88/DE000KSAG888
Market segment: Prime Standard
Prime industry: Chemicals
Industrial group: Chemicals, commodities
Listing: All stock exchanges in Germany
Bloomberg ticker symbol: SDF GY
Reuters ticker symbol: SDFG
ADR CUSIP: 48265W108

K+S BOND (DECEMBER 2018)

WKN/ISIN: A1Y CR4/XS0997941199
Stock exchange admission/listing: Luxembourg Stock Exchange
Issue volume: € 500 million
Denomination: € 1,000
Issue price: 99.777 %
Interest coupon: 3.125 %
Due: 6 December 2018
Bond rating: S&P: BBB

K+S BOND (DECEMBER 2021)

WKN/ISIN: A1Y CR5/XS0997941355
Stock exchange admission/listing: Luxembourg Stock Exchange
Issue volume: € 500 million
Denomination: € 1,000
Issue price: 99.539 %
Interest coupon: 4.125 %
Due: 6 December 2021
Bond rating: S&P: BBB

K+S BOND (JUNE 2022)

WKN/ISIN: A1P GZ8/DE000A1PGZ82
Stock exchange admission/listing: Luxembourg Stock Exchange
Issue volume: € 500 million
Denomination: € 100,000
Issue price: 99.422 %
Interest coupon: 3.000 %
Due: 20 June 2022
Bond rating: S&P: BBB; Moody's: Ba1

COMPANY RATING

S&P: BBB (outlook: negative)

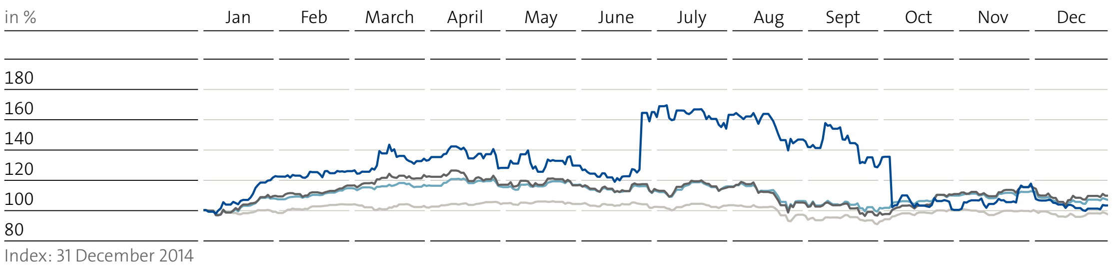
THE SHARE

HIGH LIQUIDITY DRIVES PRICES

Persistently low interest rates had a positive impact on share prices, in particular on stock exchanges in industrialised nations. Weak economies in emerging market countries, including significant drops in share prices on stock exchanges in Asia, as well as a strongly eroding oil price, resulted in high volatility of stock prices.

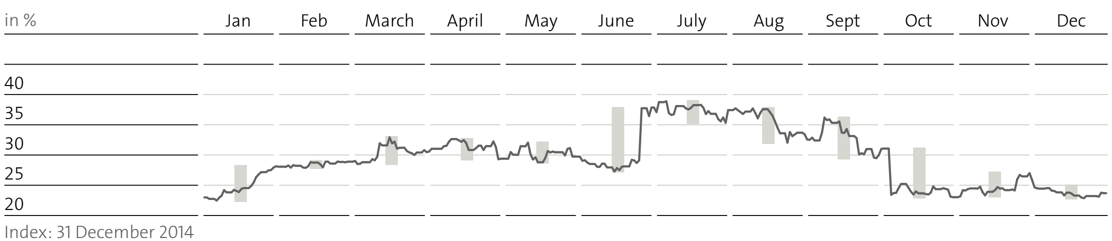
The German DAX index exhibited an increase of 9.6 % in 2015, reaching 10,743 points at the end of the year. The European DJ STOXX EUROPE 600 index rose by 6.8 % to 366 points, while the global MSCI WORLD index declined by 2.7 % to 1,663 points. / **FIG: 0.0.1, 0.0.2**

K+S SHARE PERFORMANCE IN COMPARISON WITH THE DAX, DJ STOXX EUROPE 600 AND MSCI WORLD FIG: 0.0.1



Source: Bloomberg

K+S SHARE PRICE PERFORMANCE / MONTHLY HIGHS AND LOWS FIG: 0.0.2



Source: Bloomberg

TAKEOVER PROPOSAL TEMPORARILY LEADS TO INCREASED VOLATILITY IN THE K+S SHARE PRICE

At the beginning of 2015, the K+S share benefitted in particular from a strong demand for de-icing salt in North America and a strong US dollar. On 25 June, K+S published the unsolicited proposal of POTASHCORP to take over all shares of K+S AKTIENGESELLSCHAFT at a price of € 41 per share. This subsequently led to a significant price hike to around € 39. In the following weeks, the declining prices of potassium chloride (MOP) overseas placed a strain on the performance of the K+S share. The fact that a public offering by POTASHCORP to take over K+S shares failed to materialise also created increased volatility and placed further pressure on the share price. In early October, POTASHCORP withdrew their takeover proposal. This brought the stock price down to € 23.36. Following this, the K+S share price moved sideways, closing at year's end at € 23.62, € 0.71 (+ 3.1 %) higher than in 2014.

/ THE CURRENT SHARE PRICE AND FURTHER INFORMATION ON SHARES: www.k-plus-s.com/en/ks-aktie

K+S SHARE DEVELOPING MUCH BETTER THAN THAT OF COMPETITORS IN NORTH AMERICA

We are also tracking the performance of our share compared with our publicly listed competitors. These include, in particular, North American fertilizer producers POTASHCORP and MOSAIC, Russian potash producer, Uralkali, as well as the primarily salt producing company Compass from the USA. / FIG: 0.0.3

In addition to the K+S share, the share price of competitor Uralkali also performed well, increasing by roughly 10 %. Mainly the declining prices of potassium chloride (MOP) overseas placed a strain on the performance of the PotashCorp (– 52 %) and Mosaic (– 40 %) share. Both stocks underperformed compared to the K+S share. The Compass Minerals share price, too, declined by 13 %. On 22 December 2015, Uralkali was delisted from the London Stock Exchange (LSE) after the company had repurchased the majority of free-floating shares. The company continues to be listed on the Moscow Stock Exchange.

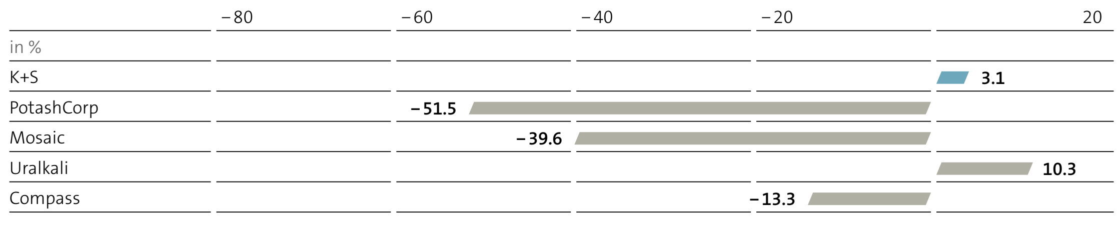
SHAREHOLDER STRUCTURE

Until the end of February, no shareholder notified us of holdings above the legal reporting threshold of 3 %. Under the free float definition applied by Deutsche Börse AG, the free float is approximately 100 %.
/ FIG: 0.0.4

AMERICAN DEPOSITARY RECEIPTS FOR TRADING IN NORTH AMERICA

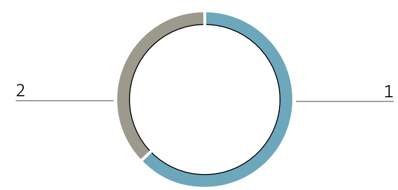
In North America, we offer an American Depositary Receipts (ADR) programme to assist investors there in trading in K+S securities and thus expand the international shareholder base. As ADRs are quoted in US dollars and the dividends are also paid in US dollars, they are essentially similar to US stocks. Two ADRs correspond to a single K+S share. ADRs are traded on the OTC (over-the-counter) market in the form of a 'level-1' ADR programme. The K+S ADRs are listed on the OTCQX trading platform.

K+S SHARE PRICE PERFORMANCE IN COMPARISON WITH COMPETITORS IN 2015 FIG: 0.0.3



Source: Bloomberg

SHAREHOLDER STRUCTURE FIG: 0.0.4



	in %	2015
1	Institutional investors	61
	– of which US	25
	– of which Germany	18
	– of which UK	16
	– of which Switzerland	5
	– of which France	3
	– of which Others	33
2	Private investors	39
	Free float	**100**

/ **FURTHER INFORMATION:** www.k-plus-s.com under Investor Relations / Share / ADR Programme and on the OTCQX trading platform website www.otcqx.com

BONDS AND RATING

K+S BONDS

As a result of the continued high liquidity supply from the ECB and other leading central banks, bond prices for borrowers with good credit ratings remained high on the capital market, while yields were comparatively low. Speculation surrounding a potential takeover by Canadian company POTASHCORP led to increased volatility in bond prices during the second half of the year.
/ TAB: 0.0.2

BOND PRICES AND YIELDS TAB: 0.0.2

in %	31.12.2015 Price	Yield
K+S bond (December 2018); coupon: 3.125 %	106.2	1.0
K+S bond (December 2021); coupon: 4.125 %	114.1	1.6
K+S bond (June 2022); coupon: 3.000 %	105.8	2.0

Source: Bloomberg

RATING

We have been the subject of an external rating process since the beginning of 2009. A rating describes the assessment of a company's ability to meet its future interest and repayment obligations in a timely manner. In August 2015, rating agency STANDARD & POOR'S assessed our credit-worthiness as 'Investment Grade' and left the rating at 'BBB' with a 'negative outlook'.

INVESTOR RELATIONS

RESEARCH COVERAGE ON K+S

The extensive research coverage of the K+S GROUP remained virtually unchanged compared with the previous year. The banks analysing us on a regular basis range from an investment boutique bank with regional expertise to major banks with an international scope. In total, 31 banks analysed us on a regular basis during the 2015 financial year.

In late February 2016, according to BLOOMBERG, 13 banks gave us a 'buy / accumulate' recommendation, 11 a 'hold / neutral' recommendation and 10 banks a 'reduce / sell' recommendation. The average target share price was around € 22. The 'Investor Relations' section on our website always provides an up-to-date overview of research recommendations as well as consensus forecasts for revenues and earnings.
/ FURTHER INFORMATION: www.k-plus-s.com under Investor Relations / Share

K+S INVESTOR RELATIONS OFFERS A COMPREHENSIVE RANGE OF INFORMATION

In the past year, we have responded to the ever-increasing need for information on the part of the capital market by offering 52 roadshows and conference days. We held investor meetings in Europe, North America, Asia and Australia. We also organised numerous one-on-one meetings and conference calls. As part of the K+S Capital Markets Day in Merkers, Thuringia, which also included a visit to the Unterbreizbach potash mine, four of the five executive directors talked to institutional investors and analysts and presented a comprehensive set of information. We intensified our contact with private shareholders by taking part in share forums in Germany. We complement the broad information offering provided on our website by utilising a range of additional online media. For instance, we published YOUTUBE videos showing interviews with members of the Board of Directors as part of our financial reporting. The aim of our Investor Relations work is transparent and fair financial communication with all market participants so as to maintain and strengthen confidence in the quality and integrity of our management, and provide comprehensive, prompt and objective information about our strategy as well as about any events relevant to the capital markets that concern the K+S GROUP.
/ INTERVIEWS REGARDING THE K+S GROUP BUSINESS PERFORMANCE: www.youtube.com / user / kplussag

COMBINED MANAGEMENT REPORT

1

1.1 COMPANY PROFILE

GROUP LEGAL STRUCTURE

K+S AKTIENGESELLSCHAFT acts as the holding company for the K+S GROUP and holds shares, directly and indirectly, in its subsidiaries, both in Germany and abroad, which make a significant contribution to its financial development. In addition to K+S AKTIENGESELLSCHAFT, all significant holding companies under the control of K+S AKTIENGESELLSCHAFT have been included in the consolidated financial statements. The possibility of exerting control is based on the majority of voting rights, either directly or indirectly. Subsidiaries of minor importance are not consolidated.

/ MORE INFORMATION: see list of shareholdings in the Notes to the Consolidated Financial Statements, page 187

Significant subsidiaries are the directly held K+S KALI GMBH, K+S SALZ GMBH and K+S FINANCE BELGIUM BVBA. K+S SALZ GMBH groups together ESCO – EUROPEAN SALT COMPANY GMBH & CO. KG (ESCO) and K+S NETHERLANDS HOLDING B.V., which, amongst others, holds shares in subsidiaries in Canada, Brazil and Chile. K+S FINANCE BELGIUM BVBA, together with K+S NETHERLANDS HOLDING B.V., holds shares in MORTON SALT, INC. through subsidiaries. K+S KALI GMBH and K+S SALZ GMBH essentially hold their foreign subsidiaries through their own intermediate holding companies. K+S ENTSORGUNG GMBH, K+S TRANSPORT GMBH and CHEMISCHE FABRIK KALK GMBH (CFK) are held directly by K+S AKTIENGESELLSCHAFT.

Compared with the position on 31 December 2014, the scope of consolidation has changed as follows: As of 1 January 2015, GERMAN BULK CHARTERING GMBH merged with K+S TRANSPORT GMBH. The outstanding 50 % share of SERVICIOS MARITIMOS PATILLOS S.A., (in short: SERMAPAT), was acquired as part of a restructuring of the Chilean company. The company shares are held by K+S CHILE S.A. (99.9 %) and EMPRESA DE SERVICIOS LTDA. (0.1 %). In addition, TRANSPORTE POR CONTAINERS S.A., Chile, was liquidated on 31 December 2015.

ORGANISATION STRUCTURE

HOLDING COMPANY

Corporate management and monitoring are exercised at a Group level by K+S AKTIENGESELLSCHAFT. The Board of Executive Directors is supported here by corporate functions, which are resident mainly in the Company's corporate units. Group-wide service functions are concentrated largely in the Company's Business Centre and Technical Centre.

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

The Potash and Magnesium Products business unit extracts potash and magnesium crude salts at six mines in Germany, and refines them. A new potash production facility is due to be commissioned in Saskatchewan, Canada, in summer 2016 (Legacy Project). K+S offers its customers special plant nutrients, products for industrial applications, high-purity potassium and magnesium salts for the pharmaceutical, cosmetics and foodstuffs industries as well as primary products for the production of animal feed. A broad distribution network facilitates sales of the products across the world. The Potash and Magnesium Products business unit is predominantly reflected in K+S KALI GMBH, its subsidiaries and K+S POTASH CANADA GENERAL PARTNERSHIP. The Inactive Plants unit also assigned to this business unit oversees the potash and rock salt mines in Germany whose production has been discontinued.

/ MORE INFORMATION: www.k-plus-s.com/en/geschaeft/kali and www.kali-gmbh.com, www.k-plus-s.com/en/legacy-project and www.ks-potashcanada.com

SALT BUSINESS UNIT

The Salt business unit extracts and markets food grade salt, industrial salt, salt for chemical use and de-icing salt. Industrial salts are used for water treatment, in oil and gas supply, in the field of medicine, in dye mills, in leather treatment, for preserving fish and in the production of animal feed while salt for chemical use is used in the chemical industry in the manufacture of PVC, plastics, artificial resins and glass. The business unit includes K+S SALT LLC as well as the regional organisations in Europe, South America and North America. The business unit is represented there by individual distribution units and K+S GROUP platform companies. Furthermore, the business unit delivers salt products to Asia and other regions of the world.

/ MORE INFORMATION: www.k-plus-s.com/en/geschaeft/salz and www.esco-salt.com, www.ks-chile.com and www.mortonsalt.com

COMPLEMENTARY ACTIVITIES

In addition to disposal activities for underground elimination and reutilisation of waste in potash and rock salt mines, salt slag and building materials recycling (waste management and recycling) as well as the granulation of animal hygiene products, the term 'Complementary Activities' covers other smaller though attractive activities for the K+S GROUP. K+S TRANSPORT GMBH in Hamburg acts as the K+S GROUP's own logistics service provider. CHEMISCHE FABRIK KALK GMBH (CFK), with its registered office in Cologne, trades in a larger number of basic chemicals.

/ MORE INFORMATION:
www.k-plus-s.com/en/geschaeft/ergaenzend.html and www.ks-entsorgung.com, www.kstransport.de and www.cfkgmbh.com

KEY SITES

The following overview indicates the most important K+S GROUP sites: / FIG: 1.1.1

KEY SITES

	Site
K+S sites in Kassel, Hesse	H
Werra combined potash plant, Hesse and Thuringia (Heringen / Merkers / Philippsthal / Unterbreizbach)	K1 ⚒
Zielitz potash mine, Saxony-Anhalt	K2 ⚒
Sigmundshall potash mine, Lower Saxony	K3 ⚒
Neuhof-Ellers potash mine, Hesse	K4 ⚒
Bergmannssegen-Hugo potash mine, Lower Saxony	K5 ⚒
K+S KALI France Head Office, Reims, France	K6
K+S KALI Wittenheim, production plant, Wittenheim, France	K7
K+S Polska, distribution company, Poznan, Poland	K8
K+S Italia, distribution company, Verona, Italy	K9
K+S Potash Canada, Saskatoon / Legacy Project, Saskatchewan, Canada	K10 ⚒
K+S Brasileira Fertilizantes e Produtos Industriais, distribution company, São Paulo, Brazil	K11
K+S Asia Pacific, distribution company, Singapore, Singapore	K12
K+S Fertilizers, distribution company, New Delhi, India	K13
esco Head Office in Hanover, Lower Saxony	S1 ⚒
Borth salt mine, North Rhine-Westphalia	S2 ⚒
Braunschweig-Lüneburg salt mine, Lower Saxony	S3 ⚒
Frisia Zout B.V. brine plant, Harlingen, Netherlands	S4
Bernburg salt mine, Saxony-Anhalt	S5
esco Benelux, distribution company, Diegem, Belgium	S6
K+S Czech Republic, distribution and production company, Prague, Czech Republic	S7
esco Holding France, Dombasle-sur-Meurthe, France	S8
Levallois-Perret, Saline Cérébos, Salt production and packaging, France	S9
esco Spain Head Office, Barcelona, Spain	S10
Morton Salt Head Office, Chicago, Illinois, USA	S11

	Site
Rittman evaporated salt plant, Ohio, USA	S12
Fairport salt mine, Ohio, USA	S13 ⚒
Grand Saline salt mine, Texas, USA	S14 ⚒
Weeks Island salt mine, Louisiana, USA	S15 ⚒
Hutchinson evaporated salt plant, Kansas, USA	S16
Silver Springs evaporated salt plant, New York, USA	S17
Grantsville solar evaporation salt facility, Utah, USA	S18
Manistee evaporated salt plant, Michigan, USA	S19
Newark evaporated salt and sea salt facility, California, USA	S20
Port Canaveral processing site, Florida, USA	S21
Glendale solar evaporated salt facility, Arizona, USA	S22
Inagua sea salt facility, Bahamas	S23
K+S Windsor Salt Head Office, Pointe-Claire, Québec, Canada	S24
Mines Seleine salt mine, Québec, Canada	S25 ⚒
Ojibway salt mine, Ontario, Canada	S26 ⚒
Windsor evaporated salt plant, Ontario, Canada	S27
Pugwash salt mine, Nova Scotia, Canada	S28 ⚒
Lindbergh brine plant, Alberta, Canada	S29
Salina Diamante Branco sea salt facility, Galinhos, Brazil	S30
K+S Chile open-cast salt mining operations, Atacama Desert / Patillos, Chile	S31
K+S Chile Head Office, Santiago de Chile, Chile	S32
Empremar shipping company, Santiago de Chile, Chile	S33
Granulation of Animal Hygiene Products, Bad Salzdetfurth, Lower Saxony	E1
K+S Transport GmbH, Hamburg	E2
MSW-Chemie GmbH, Langelsheim, Lower Saxony	E3

● H = Headquarters
● K = Potash and Magnesium Products
● S = Salt
● E = Complementary Activities
⚒ Potash and rock salt mining

FIG: 1.1.1


S29
K10
S26
S24
S25
S17
S28
S19
S13
S18
S11
S27
S12
S20
S16
S22
S14
S15
S21
S23
K13
K12
S30
K11
S31
S32 + S33
S4
E2
K8
K3
S1
S3
K5
K2
S2
E1
S5
S6
E3
H
S7
K1
K4
K6
S9
S8
K7
K9
S10

VALUE CHAIN

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

FIG: 1.1.2

Revenues 2015 € 2,091 million	**EBIT I 2015** € 546 million
Employees 8,404	**Production capacity** currently about 7 million tonnes

Fifth largest potash producer in the world

Product categories Plant nutrients Industrial products Health Care & Nutrition	**Areas of application** Agriculture Chemical industry Oil and gas drilling Pharmaceutical industry Cosmetic industry Food industry Animal feed industry

Production in Europe
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, three processing sites in France belong to the business unit.

Greenfield Project Legacy, Canada
Development of the Legacy Project in Canada:
long-term additional production capacity of 2.86 million tonnes, commissioning of Legacy in the summer of 2016.

SALT BUSINESS UNIT

FIG: 1.1.3

Revenues 2015 € 1,925 million	**EBIT I 2015** € 266 million
Employees 5,054	**Production capacity** a good 32 million tonnes

World's largest supplier of salt products

Product categories Food grade salt Industrial salt Salt for chemical use De-icing salt	**Areas of application** Food industry, fish industry, textile and leather industry, oil and gas industry, plastics industry, glass industry, pharmaceutical industry, water softening and disinfection, drinking water treatment, animal feed industry, electrolysis, winter road clearance services

Regional portfolio
Balanced regional portfolio allows for a balance of weather-related fluctuations in the de-icing salt business in Europe and North America among other things.

Production in Europe
Three rock salt mines, two brine plants, as well as several plants processing evaporated salt in Germany, France, the Netherlands, Portugal and Spain, one salt processing company in the Czech Republic.

Production in South America
One rock salt open-cast mine in Salar Grande in the Chilean Atacama desert, one sea salt facility in the north-eastern part of Brazil.

Production in North America
Six rock salt mines, nine plants processing evaporated salt, three solar salt plants and four salt processing sites in the United States, in Canada and in the Bahamas.

COMPLEMENTARY ACTIVITIES

FIG: 1.1.4

Revenues 2015 € 158 million	**EBIT I 2015** € 26 million
Employees 281	

Waste Management and Recycling
Underground disposal of waste in potash and rock salt mines and recycling activities.

K+S Transport GmbH
Own logistics service provider

Animal hygiene products
Granulation of CATSAN® and THOMAS®

CFK (Trading)
Chemische Fabrik Kalk GmbH (CFK) trades several basic chemicals.

POTASH AND MAGNESIUM PRODUCTS AND SALT BUSINESS UNITS

Raw materials are at the beginning of many value chains: Our plant nutrient products contribute towards ensuring a food supply for the growing global population. Our pharmaceutical salts are important for health. Our salts for food supplements provide people and animals with essential minerals. Our industrial products make an important contribution to safety, progress and prosperity across the world. Our value chain extends over the following six sections both in the Potash and Magnesium Products business unit and in the Salt business unit: exploration, mining, production, logistics, sales/marketing and application. **/ FIG: 1.1.5**

EXPLORATION

Potash and rock salt deposits underground are predominantly explored worldwide using underground drilling and seismic measurements that enable a spatial representation of underground geological structures. Exploration provides insights on the dimensions and structure of deposits, as well as the depth and mineral content. Comprehensive data is therefore available for a reserve estimation in accordance with international standards.

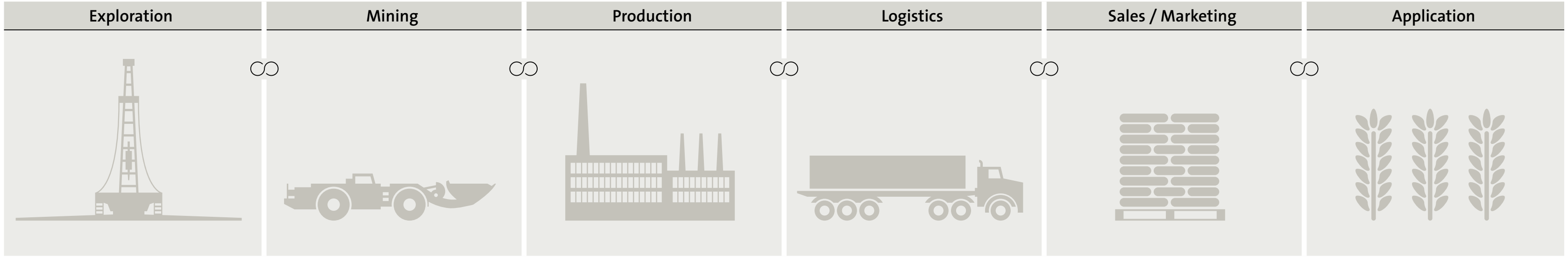
Reserves and Resources

Our potash and salt mineral deposits are either owned or located in places where we possess the appropriate licences and/or similar rights that permit the mining or solution mining of raw material reserves.

Our potash deposits in Germany contain reserves of 1.2 billion tonnes of crude salt as well as resources of around 1.2 billion tonnes of crude salt (both calculated as at 30 April 2015). Reserves include stocks that have been identified as certain or probable and can be extracted cost-efficiently using known technology. Resources are deposits, which are anticipated on account of geological indicators, but are not yet recoverable in a cost-efficient manner or have not yet been identified. The information about resources takes account of existing extraction and impoverishment losses. These potential extraction areas are predominantly connected to existing ones and belong to the K+S GROUP, or the K+S GROUP has the option to purchase them.

We are quoting reserves and resources in the Canadian KLSA 009 mining lease area in the province of Saskatchewan, where the Legacy Project is located, in millions of tonnes of potassium chloride as an end product ready for sale. The corresponding deductions for losses during extraction and processing have been taken into account here. Reserves total 160 million tonnes and resources

THE K+S VALUE CHAIN FIG: 1.1.5



around 982 million tonnes. Pursuant to the requirements of Canadian standard NI 43-101, a total of 88 million tonnes of these resources can be categorised as ‘indicated’, meaning exploration results permit a high degree of reliability. The remaining 894 million tonnes are classified as ‘inferred’, which means that information on the dimensions and structure of the deposit, as well as the depth and mineral content based on geological conclusions by analogy and isolated test drilling, has not yet been verified by concrete exploration results.

In the Salt business unit, K+S has reserves of 1.1 billion tonnes of crude salt (plus solar evaporation salt with practically infinitely available reserves). Additional extractable resources can be disclosed amounting to some 1.3 billion tonnes of rock salt in Europe and North and South America, taking into account extraction and impoverishment losses.

MINING

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 saline water, generally sea water.

The broadly comparable mining methods make the realisation of synergies between the Potash and Magnesium Products and Salt business units possible. These involve the exchange of technical, geological and logistics know-how as well as coordinated procurement of machines and auxiliary materials.

In the case of underground extraction, crude salt is generally mined by means of drilling and blasting. Huge shovel loaders then transport the crude salt to the crushing plants. From there, the crushed salt is brought to the extraction shaft by conveyor belts. In this manner, the Potash and Magnesium Products business unit obtains potassium chloride (KCl) and magnesium sulphate ($MgSO_4$)/kieserite ($MgSO_4 \cdot H_2O$) in Germany and the Salt business unit obtains rock salt (NaCl) in Germany, the United States and Canada using the same method.

In Chile, the Salt business unit extracts rock salt using open-cast mining in the Atacama Desert in the Salar Grande de Tarapacá, a large former salt lake. It also extracts sea salt and solar evaporation salt in Brazil, the Bahamas, at the Great Salt Lake in Utah and in Glendale, Arizona/USA.

Moreover, the Salt business unit operates a brine field in the Netherlands and one in Germany for the extraction of evaporated salt as well as other brine plants in the USA and Canada. Following the completion of the new potash plant in the south of the Canadian province of Saskatchewan, the Potash and Magnesium Products business unit will also extract potassium chloride by means of solution mining.

In 2015 36.8 million tonnes of crude salt was mined by the Potash and Magnesium Products business unit, 22.7 million tonnes were extracted in the Salt business unit.

FOCUS: SIEGFRIED-GIESEN RESERVE MINE

We examined the technological, operational and market aspects of a possible reopening of our inactive Siegfried-Giesen reserve mine by late 2012 in a comprehensive feasibility study. Under the framework conditions at that time, the project was assessed as fundamentally promising. The subsequent regional planning procedure was completed successfully in late 2013. The application conference for the plan approval procedure took place in January 2014; the week-long public hearing was held at the beginning of December 2015. We are engaged in close dialogue with members of the public affected by the project as well as with public authorities, politicians and the media. We have formed the ‘Civic Participation Working Group’ together with political representatives and a citizens’ initiative.
The planning approval procedure is likely to be completed by mid-2016 at the earliest. We will then decide whether and how the project will be implemented based on the economic and market framework conditions.
/ More information:
www.kali-gmbh.com/dede/company/siegfried-giesen
(German only)

We mined a total of 59.5 million tonnes of raw material in 2015 (2014: 61 million tonnes).

PRODUCTION

The processing and refining of raw materials is one of our core competencies. The crude salt mined by us passes through multi-stage mechanical or physical processes without changing its natural properties.

The annual production capacity of the Potash and Magnesium Products business unit is currently around 7 million tonnes. Following its scheduled commissioning this summer, the Legacy Project will reach an additional annual production capacity of at least 2.86 million tonnes in the medium term.

In addition to potassium (between 13 % and 27 % potassium chloride resource content), the potash deposits of K+S KALI GMBH also contain magnesium and sulphur (between 11 % and 27 % magnesium sulphate resource content). Depending on the quality of the crude salt, we use processes such as thermal dissolution, flotation and, partly in combination with both of these, electrostatic separation (ESTA process) for processing. Potash production is inevitably connected worldwide with the development of solid and/or liquid residues. We pursue long-term and, wherever possible, environmentally compatible solutions for their disposal. K+S has an annual production capacity of a good 32 million tonnes of salt in its Salt business unit. Rock salt from underground and open-cast mining is ground into the desired grain size above ground. Evaporated salt is produced by vaporising the water of the brine and extracting the dissolved salt.

/ MORE INFORMATION: see Glossary, page 195

When extracting sea salt or solar evaporation salt, salt water is channelled into evaporation ponds laid out sequentially on a gradient. The brine becomes more and more concentrated flowing through the basins until finally a layer of salt several centimetres thick can be harvested.

LOGISTICS

Our supply chain management governs, controls and monitors the entire supply chain in order to ensure reliable supply to our customers worldwide under competitive terms and conditions. We make use of various transport carriers as best as we can, taking into account their individual advantages, and incorporate more environmentally friendly and cost-effective railway lines and waterways as much as possible. The Borth plant, for example, has implemented a new logistics concept since the beginning of 2015. Trucks transport products to a transshipment centre on the Rhine from where they are sent on barges to customers across Europe. This logistics solution makes it possible to meet the customers' quality requirements and increases our own economic efficiency. In addition, environmentally friendly barges take centre stage.

Each year K+S conveys over 50 million tonnes of goods on average, including double amounts when using different transport carriers. We have a worldwide network of warehouse, harbour and distribution locations at our disposal.

Our Own Logistics Activities

With K+S TRANSPORT GMBH in Hamburg and Chilean company, EMPRESA MARÍTIMA, we have our own two logistics service providers. K+S TRANSPORT GMBH operates the 'Kalikai' (potash quay) in Hamburg, one of Europe's largest transhipment facilities for exports of bulk goods. Approximately 3.5 million tonnes are handled here each year. With a storage capacity of around 400,000 tonnes on an area comprising approximately 10 hectares, large volumes of our international business with potash and magnesium products are handled. Furthermore, K+S TRANSPORT GMBH is also responsible for organising container transport in Germany using inland water vessels and the so-called Baltic Train as well as overseas container transport.

K+S CHILE S.A. handles our maritime logistics through the shipping company, EMPRESA MARÍTIMA, using two of its own ships as well as additional chartered vessels. Our largest port is Caletta Patillos in Chile, where more than 7.5 million tonnes of salt were loaded onto maritime vessels in 2015.

Logistics Service Providers

Securing long-term freight capacity is very important to us. Most of our international transport volume is forwarded by service providers with which we maintain long-standing partnerships. With the help of key performance indicators applicable across the Group, we monitor actual costs, measure the efficiency of logistics systems and improve these in a continuous process in order to maintain and increase customer satisfaction.

LEGACY PROJECT

Construction work began at the Legacy Project in Canada in 2015 on the branch line to the public rail network in Saskatchewan. Our partner, the CANADIAN PACIFIC RAILWAY (CPR), is building 30 kilometres of new track. A further 14 kilometres of track and six kilometres of shunting tracks and sidings will be added on the Legacy property. Canada has not seen any new track construction projects of this magnitude for decades.
With the ground-breaking ceremony at the beginning of June 2015 in Port Moody (Vancouver), work began on the most modern transhipment and storage facility in the world for potash products. Trains longer than 2.5 kilometres carrying 18,000 tonnes of goods will be unloaded fully automatically within four and a half hours. The Legacy trains will incorporate 177 wagons and take three days to travel to the port.

SALES AND DISTRIBUTION/ MARKETING

K+S aims to be the 'go-to' partner for its customers. High product quality and reliability are crucial prerequisites for this. We offer a comprehensive range of goods and services for agriculture, industry and public and private consumers. We strive for greatest possible proximity to our customers, we offer many tailor-made products and we are active across the world through our efficient and customer-oriented distribution network.

Customer Interests

In dialogue with our customers we continually incorporate their needs in order to increase and thus permanently secure their confidence in our products and services. We regularly conduct customer surveys and discuss many aspects of our business with them. Along with regular customer satisfaction analyses, regular face-to-face meetings and feedback statistics provide us with practical starting points for potential improvements.

Assured quality, on-time delivery and professional advice contribute significantly to customer loyalty. In terms of quality management, we want to improve the quality of our products in all phases of the value chain. Our quality management system is based on DIN EN ISO 9001 and is reviewed by accredited external certification companies. We constantly assess our products for possible risks to health and safety and for their environmental friendliness, and ensure that they are safe for people and not harmful to nature when they are used responsibly and properly. We provide our customers with comprehensive information about our products and services in product specification sheets. The type and scope of this information comply with the respective provisions in national and international law and, where these exist, with certification standards. For example in our continually updated safety specification sheets, we describe all the safety measures to be taken for storage, use and transport. Since most of our products are chemically non-modified natural substances, they are exempt from mandatory registration in the context of the EUROPEAN CHEMICALS REGULATION, REACH. All other substances are registered in accordance with the regulations.

Important Sales Regions and Competitive Positions – Potash and Magnesium Products Business Unit

Most of the business unit revenues are generated in Europe. Here it benefits from the logistically favourable proximity of the production sites to European customers. Other focal points for sales are in South America, particularly in Brazil, as well as in Asia. / FIG: 1.1.6

K+S is the world's fifth largest and, in Western Europe, the largest producer of potash products. In 2015, we had a share of approximately 9 % in global potash sales volume.

Important competitors are the North American companies, POTASHCORP, MOSAIC and AGRIUM. They operate a joint export organisation with CANPOTEX. Other important competitors are Russian URALKALI and Belarussian BELARUSKALI, Israeli ICL, Jordanian APC and Chilean SQM.

In addition to the standard product, potassium chloride, and in contrast to its key competitors, K+S offers fertilizer specialties containing potassium, sulphur and magnesium and occupies the leading position worldwide in this product segment. With its products for industrial, technical and pharmaceutical applications too, K+S is one of the most competitive manufacturers worldwide and is by far the largest supplier in Europe.

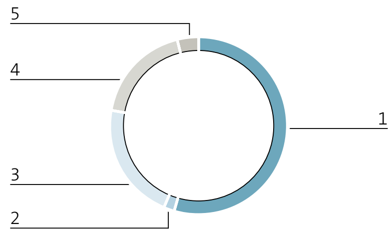
Important Sales Regions and Competitive Positions – Salt Business Unit

Business unit revenues are generated primarily on the American continent. Here, the USA, Canada, Brazil and Chile are particularly important markets. The key sales regions of the Salt business unit in Europe include Germany, the Benelux countries, France, Scandinavia, the Iberian Peninsula, the Czech Republic, Poland and the Baltic states. / FIG: 1.1.7

K+S is the largest supplier of salt products in the world. ESCO is Europe's leading producer of salt products for the food sector, salts for chemical and industrial use and de-icing salts, in addition to its competitors SÜDSALZ, SALINS DU MIDI and AKZONOBEL. With K+S CHILE S.A., South America's largest salt producer, K+S has access to the growing sales regions in South and Central America. MORTON SALT is one of the largest salt producers in North America, together with CARGILL and COMPASS MINERALS.

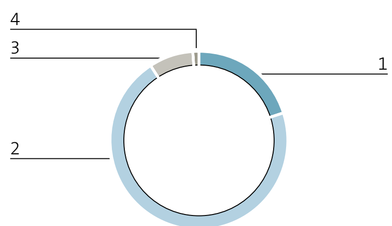
The de-icing salt business is highly dependent on weather conditions. Thanks to our unique network of production facilities in Europe, North America and South America, we can, however, respond more flexibly to fluctuations in demand for de-icing salt than local competitors and ensure reliable supply to our customers. In the other segments, the demand situation is relatively stable due to the limited possibility for substitution in most applications. While the market for salt is comparatively mature in Western Europe and North America and, in most cases, only exhibits low growth rates, a trend towards a stronger increase in demand is being observed in the emerging market countries. Thanks to a cooperation with Chinese partners, MORTON SALT has also been able to offer high-quality food grade salts as well as water softening and specialty salts there since 2015. This move is MORTON SALT's response to the growing popularity of its products in China which goes hand in hand with an emerging middle class that has an increasing demand for imported products of superior quality.

POTASH AND MAGNESIUM PRODUCTS — SALES VOLUMES BY REGION FIG: 1.1.6



	in %	2015	2014
1	Europe	54.7	56.5
	– of which Germany	16.3	16.7
2	North America	1.7	1.6
3	South America	21.6	19.9
4	Asia	18.2	18.3
5	Africa, Oceania	3.8	3.7

SALT — SALES VOLUMES BY REGION FIG: 1.1.7



	in %	2015	2014
1	Europe	20.3	16.1
	– of which Germany	6.8	5.1
2	North America	71.2	75.8
3	South America	8.2	8.0
4	Other regions	0.3	0.1

APPLICATION

As an international resources company K+S stands at the beginning of long value chains.

Products and Services from the Potash and Magnesium Products Business Unit

Most of the products from the Potash and Magnesium Products business unit are used as plant nutrients in agriculture. As natural products, these are largely permitted for ecological farming under EU law as well. Furthermore, the business unit offers its customers products for industrial applications, high-purity potassium and magnesium salts for the pharmaceutical, cosmetics and food industry as well as feed production components.

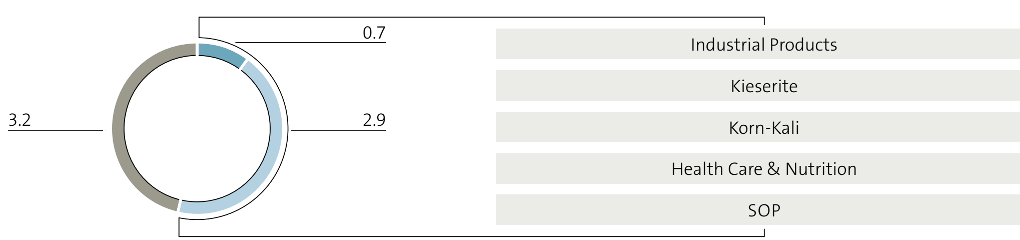
/ **MORE INFORMATION:** www.k-plus-s.com

The mineral fertilizer, potassium chloride, with universal areas of application, is used in particular for important crops, such as cereals, corn, rice and soybeans. Potassium chloride is spread directly on fields as a granulate or mixed with other straight fertilizers in bulk blenders to produce what are known as 'bulk blends'. We also supply potassium chloride as a fine-grain 'standard' product to the fertilizer industry, which processes it along with other nutrients to produce complex fertilizers. / **FIG: 1.1.8**

The fertilizer specialties of the business unit differ from traditional potassium chloride, either because they are chloride-free or because of different nutrient formulas with magnesium, sulphur, sodium and trace elements. These products are used for crops which have a greater need for magnesium and sulphur, such as rapeseed or potatoes, as well as for chloride-sensitive special crops, such as citrus fruits, wine or vegetables.

In addition, the business unit offers a wide range of high-quality potassium and magnesium products for industrial applications that are available in different degrees of purity and in specific grain sizes. These are used, for example, in chlorine-alkali electrolysis in the chemical industry, in the production of glass and plastics, in the mineral oil industry, in metallurgical processes, in the textile industry, in biotechnology, in oil and gas exploration as well as in the recycling of plastics. Furthermore, the Potash and Magnesium Products business unit provides a product assortment meeting the particularly high requirements of the pharmaceutical, cosmetics, foodstuffs and animal feed industries.

K+S PRODUCT OFFERING (2015 SALES VOLUMES IN MILLION TONNES) FIG: 1.1.8



Industrial Products · Fertilizer Specialties · KCL Potassium Chloride

Offering professional advice to our customers in the agricultural sector on product applications is another key element of our range of services. We anticipate trends and research general conditions with a view to water and resource efficiency and in connection with soil fertility. Our aim is to optimise the provision of crops with plant nutrients even when general conditions change. We also offer technical application advice for our industrial products and industrial salts.

We advise our customers in the agricultural industry through agricultural engineers working worldwide and develop tailored solutions. We also conduct our own research and field tests in order to optimise the supply of nutrients by adapting our product portfolio. We supervised over 100 tests worldwide in 2015. The focus was on cultivating potatoes, corn, oil palms, rapeseed and soybeans. We offer individual fertilization recommendations for our customers, which are the prerequisites for 'good professional practice' in terms of agricultural land use. These recommendations help safeguard fertility and the productivity of the soil as a natural resource in the long term. Many emerging and developing countries could increase their crop yields still further through better application of the principle of balanced fertilization to increase soil fertility. We want to make knowledge available to farmers where it is needed, incorporating existing local experience, testing adapted compositions and contributing to the knowledge transfer.

In 2013, K+S KALI GMBH and its partner, SASAKAWA AFRICA ASSOCIATION, launched their joint 'Growth for Uganda' project. One focus of the project is the knowledge transfer as peasant farmers in Africa often lack the expertise on how to use available resources efficiently and thus secure the nutrition of their families. K+S KALI GMBH offers over 100 years' experience in research and offering advice on plant nutrition. Knowledge is shared in on-site training sessions in accordance with the 'train the trainer' principle. The first stage of the project was achieved, which was to train 50,000 peasant farmers in two provinces in the north of Uganda by the end of 2015. As a result, these households were able to achieve better crop yields and secure sources of income. At the same time, we are using the opportunity to familiarise ourselves with the general conditions, particularly in Uganda, and the situation of local farmers. In this way we can obtain new insights and align our range of goods and services better in the long term to the needs and capabilities of peasant farmers in order to develop potential customer groups.

From 2016, we offer farmers in Uganda the opportunity to purchase fertilizer blends in small volumes of between two and 50 kilogrammes. The costs of plant nutrients as an important production factor in the region characterised by subsistence farming remain reasonable. The fertilizers can be used immediately and with the tailor-made fertilizer blends. The farmers are given additional information on the optimum fertilizing time, the quantity to use and distribution over the fields.

In the subsequent second phase of the project, more partners in the value chain will be integrated. The expansion of the infrastructure for the procurement of equipment and the marketing of the crops that are harvested will be of central importance.

/ MORE INFORMATION:
www.kali-gmbh.com/uken/company/cooperation/uganda

Products and Services from the Salt Business Unit

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.

In the food grade salt product segment, K+S produces both salt for the foodstuffs industry as well as table salt for end users, which includes premium products such as kosher, low-sodium or sea salt.

Industrial salts are used by dye mills, in the textile industry, in the production of animal feed, for preserving fish, in drilling fluids used for the extraction of oil and natural gas as well as in many other industrial areas. Pharmaceutical salts are a key element in infusion and dialysis solutions. Products for end users are manufactured in the industrial salt segment too, such as water softening salts, for example.

Salt for chemical use is one of the most important raw materials for the chemical industry. In electrolysis plants, it is split into chlorine, caustic soda and hydrogen. It reaches the end user as a component of various plastics, for example.

Winter road maintenance services, public and private road authorities, road maintenance depots and commercial bulk customers procure de-icing agents from K+S. Household packages for end users round off the product range in this segment. De-icing salts are also offered, which, through the addition of calcium or magnesium chloride, create more heat on contact with ice and snow than conventional products and therefore work more quickly, especially at very low temperatures.

COMPLEMENTARY ACTIVITIES

WASTE MANAGEMENT AND RECYCLING

Waste Management and Recycling uses the underground chambers created as a result of the extraction of crude salt for the long-range disposal and reutilisation of waste. The salt mineral deposits used by the K+S GROUP for this purpose are impervious to gas and liquids and are securely separated from the layers carrying groundwater. A combination of geological and technical barriers ensures the highest possible level of safety. This business unit operates two underground storage sites. The waste stored there is isolated permanently from the biosphere. K+S also operates five underground waste reutilisation facilities. Officially approved waste is used here to fill underground openings. Flue gas cleaning residues, for example, are suitable for this.

The main focus of activity in the Waste Management and Recycling business unit is in Western and Central Europe. The Eastern European countries also offer growth potential as demand for EU-compliant, underground waste management solutions is increasing there.

The market for underground waste disposal is very competitive, but K+S offers specific added value for customers with its full-service solutions. K+S is a leading provider in Germany and in the rest of Europe in the recycling of salt slag from the secondary aluminium industry. An additional business sector is the recycling above ground of low-contamination materials by subsidiary company, K+S BAUSTOFFRECYCLING GMBH.

ANIMAL HYGIENE PRODUCTS

At the Salzdetfurth site, extensive sections of the aboveground infrastructure of an inactive potash plant are used to granulate, among others, the well-known branded animal hygiene product, CATSAN®, for our customer, MARS GMBH.

K+S TRANSPORT GMBH

K+S TRANSPORT GMBH in Hamburg acts as the K+S GROUP's in-house logistics service provider, offering diverse logistics and other services.

/ **MORE INFORMATION:** section 'Presentation of Segments', page 96

CFK

The product range of CHEMISCHE FABRIK KALK GMBH (CFK) comprises a selection of basic chemicals. These include caustic soda, nitric acid, sodium carbonate (soda) as well as calcium chloride and magnesium chloride. CFK's customers include many well-known European chemical companies, glassworks, metal processing companies, detergent producers and breweries as well as cities and local authorities, which use calcium chloride or magnesium chloride for winter road maintenance services.

BRAND PORTFOLIO

The number of K+S brand rights fell slightly in 2015. The K+S GROUP uses, among others, CÉRÉBOS®, ESCO®, KALI-STIER®, MORTON®, UMBRELLA GIRL®, VATEL® and WINDSOR® as umbrella brands. AXAL®, REGENIT®, SALDORO®, ACTION MELT®, SEASON-ALL®, SYSTEM SAVER®, BIOSAL®, LOBOS®, KORN-KALI®, PATENTKALI® and KALISEL®, for example, are used as product brands. BLIZZARD WIZARD® is used as the brand name for de-icing salt in the USA. At the end of 2015, the K+S GROUP held a total of 2,426 (2014: 2,449) national and regional proprietary rights, derived from 558 basic trademarks (2014: 568).

RESEARCH & DEVELOPMENT

GOALS AND MAIN FOCUSES OF OUR RESEARCH ACTIVITIES

We pursue the following three equally important goals with our research and development activities:

+ Increasing customer benefits
+ Deploying raw materials, capital, energy and human resources as effectively and efficiently as possible
+ Conserving the environment through the sustainable use of resources and steady reduction of solid and liquid production residues

We promote practice-oriented research in the context of developing new plant nutrients and improving those we already offer. We devise solutions in order to meet the increased demand for food and animal feed for a growing global population as well as changing eating habits.

Our agricultural application consulting puts the results from research and development into practice, thus supporting customers in their use of our products on site and promoting the transfer of knowledge.

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

RESEARCH FIGURES [1] TAB: 1.1.2

in € million	2015	2014	2013	2012	2011
Research and development costs	14.7	12.2	13.9	19.4	17.0
Research intensity (research costs / revenues)	0.4 %	0.3 %	0.4 %	0.5 %	0.4 %
Capitalised development-related capital expenditure	2.0	3.5	5.0	14.2	1.6
Employees (number)	80	80	86	87	77

[1] Information refers to the continued operations of the K+S Group.

RESEARCH FIGURES

Research and development costs totalled € 14.7 million in the reporting period and were therefore significantly above the value in the previous year (2014: € 12.2 million). Both the research on process analysis techniques as well as on product and process development was intensified. In the reporting period capitalised development-related capital expenditure of € 2.0 million (2014: € 3.5 million) was below the level in the previous year as anticipated. The main expenditure remained the development of innovative cavern technology for the Legacy Project. / TAB: 1.1.1, 1.1.2

RESEARCH AND DEVELOPMENT COSTS [1] TAB: 1.1.1

in € million	2015	2014
Potash and Magnesium Products business unit	7.9	6.1
Salt business unit	3.7	3.1
Other research costs	3.1	3.0
Total	**14.7**	**12.2**

[1] Information refers to the continued operations of the K+S Group.

Most of the research and development costs in the Potash and Magnesium Products business unit related to research projects designed to improve production processes for minimising solid and liquid production residues from potash production. Detailed issues in the area of solution mining in the Legacy Project in Saskatchewan, Canada represented a further focus. In the Salt business unit, research was conducted mainly into new low-sodium, water softening, table salt products and the use of high-quality salt in the copper mining industry; other activities were channelled into application-oriented basic research for the evaluation of new techniques and materials as well as for the development of specific simulation tools.

RESEARCH INSTITUTIONS AND COOPERATION

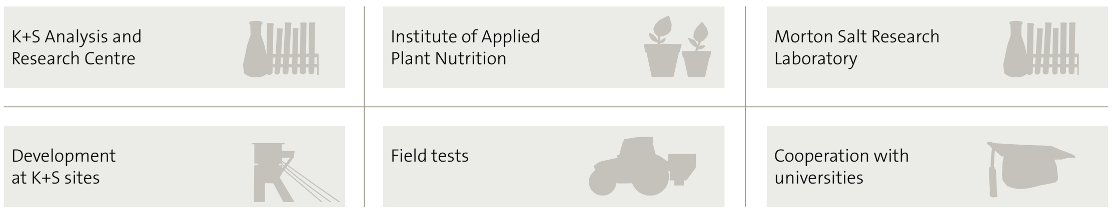
In terms of research and development, we want to make optimum use of the Group-wide synergies and cooperate with universities and technical colleges and other external partners on special research projects. A total of 80 research and development employees worked in the various research institutions across the Group during the year under review. / FIG: 1.1.9

K+S ANALYSIS AND RESEARCH CENTRE:

The new K+S ANALYSIS AND RESEARCH CENTRE (AFC) was opened in Unterbreizbach in September 2015 just two years after building work started. This new building offers laboratory and technical work space in an area covering approximately 9,000 m² for around 100 scientists, engineers and specialists. Around € 30 million has been invested in the project.

The key tasks of the AFC include carrying out various analyses and basic application-oriented research for

K+S RESEARCH NETWORK FIG: 1.1.9



all business units of the K+S GROUP as well as process and product development. New potash production processing methods are designed and further developed in order to meet increasing ecological requirements. Another important task is the education and further training of junior employees. The AFC will also take over more key research tasks for foreign subsidiaries and analytics tasks for K+S production sites.

To reduce time spent and conserve resources, work on a research and development project on robot-assisted analysis of solid material has been intensified and a laboratory robot system was installed at the new AFC. Other options for laboratory automation have also been investigated.

Morton Salt Research Laboratory

MORTON SALT operates a research laboratory in Elgin, Illinois, USA, where new products are developed, existing products are further developed, substances and processes are analysed and materials are tested. 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. In 2015, further development options for reduced-sodium salt products were tested in the food laboratory. The MORTON SALT Research Laboratory works closely with the on-site laboratories and with external research institutions.

External Research Partnerships

The INSTITUTE OF APPLIED PLANT NUTRITION (IAPN) is operated as a public-private partnership (PPP) in Göttingen by K+S KALI GMBH, together with the GEORG AUGUST UNIVERSITY OF GÖTTINGEN, since late 2010.

The aim of the IAPN is to increase application-oriented research into plant nutrition and fertilizer use, primarily in relation to the nutrients, potassium, magnesium and sulphur. Research focuses accordingly on adapting agricultural production processes to changing climate conditions, more efficient use of resources through optimum nutrient supply and the development of horticultural concepts in developing and emerging markets. As an interface between science and business, the institute tackles current practical issues, combines existing knowledge and develops intelligent fertilizer management systems that are adapted according to the respective location. K+S KALI GMBH research projects are brought together at the IAPN and cross-linked to ensure optimum knowledge transfer. The principles are verified for practical use in field tests carried out by K+S KALI GMBH, and the insights gained are passed on to agricultural practice via the K+S KALI GMBH consulting network.

The AFC and the IAPN work closely together on evaluating product ideas in respect of marketability, production, processing, application and the effects on plant cultivation.

Our Canadian and German specialists continue to work with external partners to develop solution mining methods, bearing in mind the special natural mineral deposits involved in the Legacy Project.

SELECTED RESEARCH AND DEVELOPMENT PROJECTS AND RESULTS

+ The AFC developed the upgradeable 'ProPhET' (Process Modelling with Phase Equilibria Tools) modular software for process modelling. Consideration of the specific requirements for processing crude potash salts was the focus here, in particular the complex phase equilibria of the saline water systems which are particularly important in many production processes and in the treatment of residues. The IT tools that have been developed make it considerably easier to plan new processes and optimise existing ones in terms of yield and efficiency, as well as minimise and treat production residues. The software is continually adapted to changing requirements and upgraded as part of ongoing projects.

+ New techniques were tested, further developed and brought to operational maturity in 2015 to improve process analysis. As a result, robust and reliable systems for real-time and process-oriented mass throughput analysis are now available, which enable improved use of resources and further mitigation of wastewater. The proportion of traditional laboratory analytics can also be reduced as a result of this. These techniques that have been tried and tested in Germany are also used in the Legacy Project.
+ In Chile, a new three-phase reactor for processing copper ore was developed in partnership with the UNIVERSIDAD TÉCNICA FEDERICO SANTA MARÍA in Valparaíso. Using high-quality sodium chloride, the processing of ore with a low copper content can be made more efficient and more environmentally friendly with this patent-pending technology.
+ At MORTON SALT, a patent application was filed for a proprietary salt adhesion technology. Furthermore, new recipes for table salts, enhanced with herbs and spices, have been developed and distributed.

PATENT PORTFOLIO

The K+S GROUP's global patent portfolio currently includes 53 patent families (2014: 54), which are protected by 234 national rights (2014: 244). The patents are used, for example, in the areas of electrostatic separation processes, granulate production and flotation. Only a small amount of licence revenues was generated.

PROCUREMENT

In 2015, K+S purchased technical goods and services, raw materials, consumables and supplies for approximately € 2.7 billion (2014: approximately € 2.3 billion) from around 19,800 suppliers. The majority of our sales volume is made up of capital goods, in particular equipment in the context of the Legacy Project, as well as maintenance and expansion measures. Materials going into our production or our products only form a small part of the purchasing volume.

Open and fair collaboration characterises the cooperation with our suppliers and service providers, which we select in a systematic, transparent and IT-supported process not only according to purely economic criteria. In addition to legally compliant conduct, we also expect them to respect human rights as well as the core labour standards of the INTERNATIONAL LABOUR ORGANISATION. Our goal is to build up long-term partnerships through cooperation. We assess the entire procurement process from the initial request through to delivery of the service and settlement. At all stages we consider 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's internal participants in the supply chain will be informed immediately. In this way, we can introduce measures promptly. Of our contractual partners, almost all come from OECD countries.

VALUE CREATION STATEMENT

The following value creation statement describes our contribution to private and public income. Value creation is calculated using sales revenues and other earnings after deducting material costs, depreciation and amortisation and other expenses. The allocation calculation reveals what share of added value goes to employees, shareholders, states and lenders, and what share remains with the Company.

In 2015, our added value amounted to € 1,890.1 million (2014: € 1,613.0 million). The majority (57 %) of € 1,080.0 million was allocated to our employees. This share is composed of wages and salaries, social insurance contributions and pension contributions. States received taxes and fees of € 205.4 million (11 %). € 62.4 million went to interest (3 %) to lenders. It is presumed that shareholders will receive the suggested € 220.1 million (12 %) in dividends and the Company retained € 322.2 million (17 %) in the form of reserves and other assets. / TAB: 1.1.3, 1.1.4

VALUE ADDED – ORIGINATION TAB: 1.1.3

in € million	2015	2014
Revenues	4,175.5	3,821.7
Other income	314.4	225.6
Cost of materials	–1,468.7	–1,329.0
Depreciation and amortisation	–320.7	–281.2
Other expenses	–810.4	–824.1
Value added	**1,890.1**	**1,613.0**

VALUE ADDED – ALLOCATION TAB: 1.1.4

in € million	2015	2014
To employees (wages, salaries, social benefits)	1,080.0	1,013.7
To the government (taxes, fees)	205.4	147.9
To lenders (interest expenses)	62.4	84.8
To shareholders (dividends)[1]	220.1	172.3
To the Company (reserves and other assets)	322.2	194.3
Value added	**1,890.1**	**1,613.0**

[1] Dividends relate to the corresponding current financial year and are paid in the following year. The figure for 2015 corresponds to the dividend proposal.

EMPLOYEES

WORKING AT K+S

Our collective actions and conduct are what define us as a company. This is why our employees are the focal point of our activities. Only through collective efforts can we secure the future success and growth of K+S as a whole and the respective sites in the long term. Our employees, with their skills, commitment and innovative ideas, make a crucial contribution in this respect. It is for this reason that we specifically encourage our workforce to demonstrate and improve their skills and abilities so that we can perform our economic tasks and make the most of opportunities. Constantly building up skills and supporting our employees in the completion of their tasks are important here in order to motivate them to always perform at their best.

Competition for qualified managers and specialists is fierce in all the regions in which we operate. This is intensified by the demographic challenges in Europe and North America. Attracting, successfully integrating and retaining qualified managers and specialists in strategic positions on a long-term basis is a crucial factor to our success. Consequently, it is important to be aware of their expectations and needs and take these into account in our processes and to provide opportunities for professional development. We will also continue to intensively pursue the issues that support us en route towards a global human resources strategy. We have improved our worldwide talent management process for example in order to identify the available top performers and potential across the world and use these successfully. Moreover, we analyse our remuneration structures across the world for employees not covered by a collective wage agreement and review our guidelines, for example for the 'secondment of employees', to ensure fair and performance-related pay.

The following sections describe our focus of work within our core human resource issues including human rights, elimination of discrimination/diversity, health and safety, training, compensation and freedom of association/collective bargaining.

EMPLOYEE SURVEY

K+S attaches importance to a transparent corporate culture. This helps us derive suggestions for improvement and to initiate changes and action. Therefore, we conduct surveys in order to gauge and understand the employees' overall morale and needs within the Group and to identify potential for improvement among the strengths and weaknesses perceived by our employees. We invited all K+S GROUP employees to express their opinion on key issues anonymously in the second international employee survey in September 2015, under the slogan 'Say it like it is!'. In the next step, corresponding areas for action and measures on a global, business unit/Group and site level will be derived with the aim of making improvements based on the optimisation potential identified.

IDEA MANAGEMENT/CONTINUOUS IMPROVEMENT PROCESS

With the idea management/continuous improvement process (CIP), K+S gives all employees the opportunity to take an active role in operating processes and structures and be involved in shaping these. The idea management/continuous improvement process also serves as a strategic management tool. We use this tool to help guide our managers in promoting the creative skills of their employees and creating the general conditions required for this. A total of 14,707 ideas were submitted in 2015 (2014: 12,615). The contribution to operating income from idea management, expressed as first year benefits, was € 6.5 million (2014: € 5.1 million); the rate of implementation was 55 % (2014: 54 %). In 2015 the economic effect generated, i.e. the benefit over a period of 2.5 years, less the costs of idea management, of € 14.2 million was significantly higher than in the previous year (2014: € 10.8 million), thus exceeding last year's highest figure since the introduction of idea management.

EMPLOYMENT TRENDS

As of 31 December 2015, the K+S GROUP employed a total of 14,383 people (2014: 14,295). There was a slight increase in human resources in the Potash and Magnesium Products business unit in 2015 mainly in the context of the Legacy Project in Canada. In the Salt business unit the number of employees was slightly reduced due to organisational improvements. In spite of the reduction in human resources in IT services (efficiency and outsourcing measures), there was an overall increase in personnel in the K+S AKTIENGESELLSCHAFT business units, due mainly to new appointments of trainee engineers in the areas of technology and mining, but also to reassignments of human resources from the Potash and Magnesium Products business unit to K+S AKTIENGESELLSCHAFT. / TAB: 1.1.5

Of our workforce, 7.4 % (2014: 7.5 %) are employees not covered by a collective wage agreement, 88.6 % (2014: 88.4 %) are employees covered by a collective wage agreement and 4.0 % (2014: 4.1 %) are trainees. / FIG: 1.1.10

PERSONNEL EXPENSES

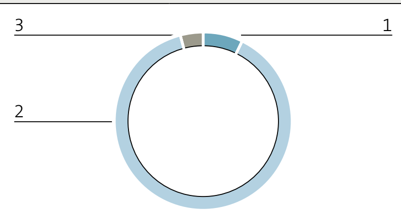
We reward our employees in line with market conditions and in relation to their performance based on salary

EMPLOYEES BY BUSINESS UNIT TAB: 1.1.5

in full-time equivalents (FTE)[1] as at 31 December	2015	%	2014	%
Potash and Magnesium Products business unit	8,404	58.4	8,299	58.1
Salt business unit	5,054	35.1	5,075	35.5
Complementary Activities	281	2.0	289	2.0
Departments of K+S Aktiengesellschaft	644	4.5	632	4.4
K+S Group	**14,383**	**100.0**	**14,295**	**100.0**

[1] FTE = Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours. Rounded figures are shown in the table and this may result in rounding differences in the totals.

PERSONNEL STRUCTURE FIG: 1.1.10



	in %	2015	2014
1	Non-tariff paid employees	7.4	7.5
2	Pay-scale	88.6	88.4
3	Trainees	4.0	4.1

structures which are oriented towards economic success. In 2015, personnel expenses amounted to € 1,080.0 million and were therefore a good 6 % above the level in the previous year (2014: € 1,013.7 million). Costs increased both on account of exchange rates and higher accruals for performance-related pay and additional expenses from wage and salary increases. This was countered by relief of the strain owing to lower expenses in connection with a redundancy plan in Germany. Pure personnel expenses without provision effects rose compared with the previous year, essentially due to exchange rates and higher accruals for performance-related pay and additional expenses from wage and salary increases, by € 76.9 million, or 8 %, to € 1,089.3 million.

In the previous year, the share of variable remuneration in personnel expenses was € 97,2 million or approximately 9 % (2014: € 74.0 million or approximately 7 %). We involve our employees in the success of the company through a performance-related remuneration system.

During the year under review, personnel expenses per employee amounted to € 75,653 (2014: € 70,916) and thus increased by a good 7 %. This is attributable to the above-mentioned reasons.

CO-DETERMINATION

K+S respects the freedom of association and the right to collective bargaining. Social partners are included in key decisions according to the legislative framework. We believe that informed employees are better motivated and more ready to share the consequences of difficult decisions. Co-determination promotes and presents a challenge for taking on responsibility in the medium and long term. The highest body of employee representatives in Germany is the joint works council. Internal restructuring initiatives, such as the measures in the context of the 'Fit for the Future' programme, are implemented in close cooperation with employee representatives. The same applies to the design of the 2015 employee survey.

Approximately 80 % of employees covered by collective wage agreements of Group companies in Germany are members of trade unions. The relationship with the works councils as well as with INDUSTRIEGEWERKSCHAFT BERGBAU, CHEMIE, ENERGIE (IG BCE) is characterised by a long-standing partnership built on trust. In Chile approximately half of the employees, and at MORTON SALT around two-thirds, are organised in trade unions.

ATTRACTING EMPLOYEES

K+S operates a future-oriented human resources policy. We want to be an attractive employer where our employees can deploy their strengths and feel that their performance is recognised. Our management culture is based on mutual trust. We want to actively shape change and support, but also challenge our employees.

LEGACY CAMP

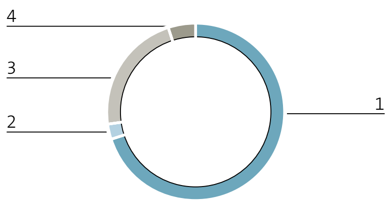
The Legacy Camp is a place of retreat for two-thirds of the workers employed there after a ten-hour day or night shift on the site. Almost 1,500 beds in single rooms with their own washing facilities are available at the camp. Average capacity utilisation is 93 %. The camp has good catering secured. There is a fitness area and places to relax. Security personnel are exclusively 'First Nations' people and the majority of local staff are women.

We offer attractive and diverse work opportunities from training and starting out on a career straight after studies through to becoming an experienced specialist or manager. We recruit trainees for our international two-year trainee programme and deploy them across the world. We also strive to offer career prospects in various focus areas, thus opening up opportunities for every employee to get involved at K+S according to their own personal interests. We develop and encourage the potential and performance of our experts and managers. We offer employees and job applicants exciting tasks, performance-related pay as well as comprehensive opportunities for further training and international career development.

HUMAN RIGHTS / ELIMINATION OF DISCRIMINATION / DIVERSITY

K+S creates a workplace atmosphere that facilitates the open exchange of ideas and an approach to dealing with one another characterised by trust. Equal opportuni-

EMPLOYEES BY REGION FIG: 1.1.11



	in %	2015	2014
1	Germany	70	70
2	Rest of Europe	3	3
3	North America	22	21
4	South America	5	6

ties and the rejection of all forms of discrimination are self-evident for us. This has been laid down in our Core Values and Principles (Code of Conduct). We affirm this approach as a signatory to the Diversity Charter, a German initiative designed to encourage diversity in companies and institutions. We respect and support the observance of internationally recognised human rights and conduct ourselves in accordance with the laws of the countries in which we are active. We strictly reject any form of forced labour and child labour. We encourage intercultural competences in a targeted way, for example, by posting employees abroad and welcoming the diversity of our employees. Their varied experiences are of great value to us. / FIG: 1.1.11

Traditionally, more men than women have worked in the mining industry. As of 31 December, 88 % of our workforce was male and 12 % female (based on the number of employees in persons). We do not wish to and neither can we dispense with the skills and potential offered by women. This is why we are also committed to ensuring a better work-lifebalance and work life and continue to adhere to the principle of equal opportunities for men and women.

We offer our employees in Germany individual part-time arrangements and support them through family-friendly initiatives in order to balance the requirements of working and family life. These initiatives include additional leave in case of need where childcare is required at short notice, further training opportunities during parental leave or an advisory service for employees with dependents requiring care. We also offer a day care centre close to the Group's headquarters in Kassel. For over ten years, employees of K+S Aktiengesellschaft as well as its associated companies at the Kassel site have benefitted from so-called trust-based working hours, which allow them to largely determine their working hours themselves, thereby improving the reconciliation of family and work life.

In the Canadian companies, employees are supported beyond the legal requirements by offering parents flexible working hours, compressed working weeks or teleworking on a location-based, individually agreed basis. Employees with young children in the Chilean companies are offered flexible working hours, funding for external nursery places and assistance with a portion of their children's school fees.

In 2011, K+S Aktiengesellschaft joined the voluntary agreement by the 30 DAX corporations to increase the proportion of women in leadership positions. We want to increase the number of female managers in Germany by about 30 % by 2020. The proportion of women in management positions would then be around 10 % and correspond to the share of women in the total workforce of K+S in Germany (base year 2010: 7.2 %). In 2015, the proportion of women in leadership positions was 11.3 % of the workforce in Germany (2014: 11.4 %). Our recruitment, selection and appointment procedures adhere strictly to the principle of gender neutrality.

The target figures for women at management level below the Board of Executive Directors of K+S Aktiengesellschaft, defined in accordance with the new German legislation, can be found in the section 'Declaration on Corporate Governance' on page 51.

FOCUS

A relatively large indigenous group of people, mainly First Nations and Métis, live in the province of Saskatchewan in Canada, where the Legacy Project will be commissioned in the summer of 2016. Since indigenous groups were not integrated sufficiently into the economic life of the province in the past, it is important for the government of Saskatchewan that greater account is taken of these people in terms of employment and when awarding contracts. Efforts are being made to ensure representation that reflects the population ratio. For this reason, integration of the indigenous population is also important for the Legacy Project. Numerous indigenous people have already been employed and some have been given management roles. When awarding contracts or appointing employees, we strive to take greater account of indigenous people, visible minorities and also women.

To date, approximately CAD 250 million in contracts have been awarded to companies with a large component of indigenous ownership or involvement. As well, during the construction phase, approximately 200 to 300 descendants of the original inhabitants (First Nations and Métis) have worked and are still working, in some cases, for contractors. In terms of direct appointments, an internal survey revealed that approximately seven percent of employees are of indigenous origin. We want to build on this foundation. K+S POTASH CANADA aims to find qualified indigenous people for permanent positions. First Nations employees and contractors have assisted the Human Resources department to coordinate this effort. An agreement has been reached with the neighbouring FILE HILLS QU'APPELLE TRIBAL COUNCIL in order to identify suitable candidates.

DEVELOPING AND PROMOTING EMPLOYEES

K+S wants to develop and deploy employees' full potential in the best way possible, fill specialist and management positions Group-wide primarily from its own ranks and make a long-term and attractive career possible for its employees. We consider investing in employee development to be an important tool for both professional development and loyalty.

TRAINING

Vocational training is an important investment in the K+S GROUP's future viability. Consequently, in Germany we recruit highly motivated school leavers, especially for those jobs that require formal training in commercial and technical fields, which are increasingly more difficult to fill. The dual vocational training system in Germany combines practical and theoretical teaching, thus offering applicants for trainee positions attractive opportunities for career development.

As of 31 December 2015, a total of 573 young people (2014: 597) were undergoing training at K+S companies in Germany; 163 (2014: 159) new trainees were hired in 2015. At the end of the year, the training ratio, based on employees in Germany, was 5.7 %, slightly below the level in the previous year (2014: 6.0 %). Last year, we hired approximately 89 % of our trainees.

TALENT MANAGEMENT AND CAREER PATHS

By introducing the talent management process, K+S has created a procedure for its employees covered by a collective wage agreement in which talent is encouraged, and information provided for suitable courses of action with regard to posts that need to be filled. The 'K+S career path' project aims to identify different prospects for the professional future of employees and makes opportunities for development more transparent.

CONTINUING EDUCATION AND FURTHER TRAINING

K+S offers skilled employees and managers various seminars in order to acquire general and company-specific knowledge. We provide selected employees from the technical and mining areas of our German Group companies with further training at the TECHNICAL COLLEGE FOR ECONOMY AND TECHNOLOGY IN CLAUSTHAL-ZELLERFELD in order to become qualified technicians. A more advanced qualification is also available which offers the prospect of a management career.

Employees are identified within the talent management process, who are able to participate in the global development programme TRACK+S as a result of their excellent performance and potential. The aim of introducing the programme was to promote careers in a targeted manner and prepare participants for managerial or skilled roles.

Moreover, depending on company requirements, we award grants to our employees for full-time bachelor's or master's studies. In the United States, Canada and Chile, we support employees, who continue their education in line with their career at a university recognised by the Company, by reimbursing their tuition fees, in full or in part.

The 'Legacy Operations Training Program' (LOTP) has been in place since 2014. In the context of the LOTP, employees are educated and trained not only in Canada, but in various locations in Europe. The LOTP is used for team building and the mutual exchange of experiences. This gives our Canadian colleagues an opportunity to benefit from the know-how and practical knowledge of the European sites. Some 40 Canadian colleagues have gone through the LOTP to date. They were trained by over 25 trainers. By the time Legacy is commissioned, some 160 employees will have worked together in the context of the LOTP. Part of the training takes place on site. Canadian employees undergo two to three weeks of training at K+S sites in Europe that have different focuses. Management training is currently ongoing and some courses have already been completed. The plan for the first half of 2016 is to train team members in Europe.

Expenses for continuing education and further training amounted to around € 14.7 million and have thus increased by 25.6 % (2014: € 11.7 million). In spite of a reduction in costs in Germany as a result of the drop in attendees at the technician training in Clausthal-Zellerfeld (2015: 23 employees; 2014: 58 employees), there was a considerable increase in costs resulting from the rise in the number of further training days attended in Germany to 15,438 (2014: 11,796 days) and the rise in the number of people attending continuing and further education courses in the K+S foreign subsidiaries.

RETAINING EMPLOYEES

In addition to continuing education and further training, K+S is striving to retain employees in the long term through fair pay and employee share ownership schemes. On average our employees are 42 years old and have worked for us for 15 years. The turnover rate – the ratio of persons who leave the Company to the average staffing level – is still 6.3 % (2014: 6.3 %); taking only resignations into account, it is 2.2 % (2014: 2.8 %). Our commitment to health and occupational safety also contributes towards retaining our employees as well as attracting potential new colleagues.

HEALTH AND OCCUPATIONAL SAFETY

K+S continues to develop health care and occupational safety on an ongoing basis. Our aim is to prevent accidents, reduce work-related health risks and increase knowledge of safe and healthy conduct in the workplace. Occupational safety is of key importance to us. We have signed THE LUXEMBOURG DECLARATION ON WORKPLACE HEALTH PROMOTION and, in doing so, have reinforced our commitment to working conditions that promote health. Any injury or accident generally means human suffering which we want to avoid. From a Company perspective, any stoppage on account of illness or accident also means a loss of manpower and entails additional costs.

K+S strives to create working conditions and procedures that ensure the health and safety of its employees. Our employees, also with longer working life, should be able to work in a healthy and motivating way. Our programme designed to promote health focuses on individual requirements, operational situations and country-specific circumstances and laws. It focuses on prevention and advice, the promotion of individual health and measures tailored to specific workplaces.

Occupational health care and advice for employees of Group companies in Germany is provided by our company medical officers. We are committed to implementing operational integration management which is mandatory in Germany. We have appointed the relevant officers who support employees suffering from long-term illnesses in returning to work. In Germany, selected representatives assume responsibility for the interests of our disabled and equivalent employees and act as their competent contact persons. We encourage the incorporation of disabled employees into operations, for example by providing workstations that are adapted to the needs of disabled employees. The proportion of disabled employees accounted for 7.4 % of the workforce in Germany (previous year: 7.6 %), once again reaching a level above the national average in Germany of just under 5 %. This is visible proof of the effective integration of disabled people and their involvement in the professional life of our company.

In North America, MORTON SALT introduced the 'Dash Well-Being' programme in 2015 as an integral concept with the aim of recruiting employees and retaining them at the company. This comprehensive programme considers different aspects of employee satisfaction such as health, welfare and social aspects.

Occupational safety is extremely important to us as an international resources company. Advanced systems and procedures constitute factors for the success of occupational safety. Our occupational safety programme takes account of site-specific challenges and local legislation, as the following examples show. Their common target is the prevention of accidents, but they differ in terms of names depending on the region.

The Potash and Magnesium Products business unit decided to participate in the 'VISION ZERO. Zero accidents – work healthy!' campaign in 2015. 'VISION ZERO' is a prevention strategy from the GERMAN SOCIAL ACCIDENT INSURANCE INSTITUTION FOR THE RAW MATERIALS AND CHEMICAL INDUSTRY (BG RCI) and insured companies. This guideline formulates specific targets for reducing the risk of accidents and occupational illnesses. It is aimed at all participants, from the senior management team to managers and employees. The central aims are a positive change in behaviour, increased preventative measures and specific improvements so that no one injures himself or becomes ill at work. To achieve these objectives and introduce measures to protect occupational health and safety, the business unit is planning to further develop the occupational health care system.

Health and safety are also a top priority for K+S POTASH CANADA. A greenfield project like Legacy makes it possible to create a new safety ethos from scratch. It is crucial that everyone on the construction site is involved. Anyone who works for or with K+S POTASH CANADA is required to accept responsibility for safety-conscious behaviour. This ethos is demonstrated by all employees and contractors. At the same time, the obligation on the part of K+S POTASH CANADA with regard to safety also contributes to sustainability and brings benefits in terms of environmental protection. As whilst there are initiatives of occupational safety with a 'mission zero' aim, greater awareness of the environment is also raised since harmful substances could pose a danger to health and safety of human beings as well as harm the environment.

MORTON SALT lives the credo: 'Nothing is more important to us than health and occupational safety' – neither production, nor sales, nor profit – and has therefore also declared a 'mission zero' target. This principle is brought to life by comprehensive health and safety schemes, which encourage every employee to get involved. Health and occupational safety are considered at each stage, regardless of whether this is product development, plant planning, operations, transport, sales, use or waste disposal.

In 2015, there were 888 accidents at our sites (2014: 889) and 178 accidents at work resulting in lost working hours (2014: 164). In the Potash and Magnesium business unit the number of accidents at work resulting in lost working hours remained at the same level as in the previous year (2014 and 2015: 111), whilst in the Salt business unit the figure rose to 57 (2014: 52) and in Complementary Activities to 10 (2014: 1). The 'accidents at work with working hours lost per one million working hours' figure was 7.2 in 2015 (2014: 6.6). New projects with 'Vision Zero' or 'mission zero' aims should counteract this negative trend.

PENSION SCHEME

K+S helps its employees secure their standard of living in retirement by offering various locally-tailored options as part of the Company pension scheme. Every employee in the participating German companies receives an employer supplement corresponding to 13 % of the sum that is paid from his remuneration subject to social security deductions into one of the three Company pension schemes. The majority of our pension schemes for the employees of our companies abroad are contribution-based pension plans, which are predominantly financed by the employees themselves and subsidised by the employer. In 2015, we spent a total of € 20.6 million (2014: € 16.8 million) on contribution-based pension plans.

REMUNERATION SYSTEM

At K+S we pursue the aim of rewarding our employees across the world in line with the market and in relation to performance. The introduction of a new collective wage agreement was completed at all locations in Germany in 2015. Industrial, commercial and technical occupations are now comparable for the first time in one system. All employees covered by the framework collective agreement for the potash and rock salt mining industry have been transferred from the previous collective wage agreement to the new one. The performance appraisal components included in the rate structure will be uniformly applied to all sites for the first time beginning May 2017.

We review our remuneration system at regular intervals in order to scrutinise its equity with performance and market compliance and adjust it where appropriate. A project involving an integral, global review of remuneration for employees not covered by a collective wage agreement was launched in 2015 and a new system for assessing roles and functions was introduced in connection with this. The aim was to develop a methodology that assesses roles and functions not only on a gender-neutral basis using standard criteria across the Group, but also provides a better indication of the changing requirements of roles and functions and enables a market comparison.

ENVIRONMENT

When raw materials are extracted from the earth and processed, there is always an impact on nature everywhere in the world. We have been working continuously for decades to limit this impact as much as possible. We use well-engineered mining methods and treatment processes for the purpose of environmentally compatible production whilst at the same time maintaining economic efficiency. Our handling of environmental issues such as water, waste and energy / climate, which are material for us across the Group, is described below. Reported environmental indicators are collected for all key consolidated sites and are based largely on measurements (92 – 100 %, apart from waste data which is largely based on calculations).

Our environmental management records and systematically assesses the effects of our corporate activities on the environment in order to derive measures. In the first instance, we fulfil legal obligations and comply with official requirements. Targets, which we have in this respect, are always geared towards technical feasibility and economic viability. Environmental management is generally geared towards site-specific challenges, but is coordinated on an issue-specific basis across locations and business units. Our environmental experts meet at regular intervals on boards, in competence centres or in working groups to exchange experiences and develop best practices.

Environmental indicators at plant and business unit level are collected using environmental management software introduced in 2015 at all sites where production is involved. In the future, environmental reports shall be produced to derive plans of action for relevant environmental impacts from these reports. With the introduction of the environmental management software several adjustments have been made to the collection of data. The scope of the data collection as well as conversion factors were adjusted and definitions refined in dialogue with the business units and sites.

K+S KALI GMBH has been operating an environmental management system for pile planning at the Werra plant since 2014. Comparable systems are due to be set up in the future for other pile sites.

MORTON SALT introduced the 'WE CARE' policy in the areas of environment, health, occupational safety and quality management in 2015. Moreover, all production sites are due to operate an ISO 14001 environmental management system certified by an independent body by the end of 2020. Two sites were certified in 2015, and three additional sites are preparing for certification in 2016. MORTON SALT uses a software programme to manage details of non-conformances, audits and training requirements.

CAPITAL EXPENDITURE AND OPERATING COSTS FOR ENVIRONMENTAL PROTECTION

We record both our environment-related capital expenditure as well as our operating costs for environmental protection. In 2015, environment-related capital expenditure totalled € 104.8 million. The increase compared with the previous year (2014: € 76.8 million) of € 28.0 million was due in particular to higher capital expenditure for water conservation. One focus was the further implementation of the package of measures for water protection at the Werra plant with the modernisation of kieserite flotation at the Wintershall site as the largest individual project. Capital expenditure in the prevention of air pollution and climate protection also increased in 2015. This was mostly due to projects at two US salt sites which generate steam in an environmentally friendly manner based on gas. On the other hand, capital expenditure for nature conservation and land reclamation fell after even greater compensatory and replacement measures were necessary in 2014 following the implementation of the package of measures for water protection. / TAB: 1.1.6

In the 2015 reporting year, operating costs for environmental protection increased compared with the previous year (€ 150.8 million) by € 26.0 million to € 176.8 million. The main reasons were increased costs for piles at the potash sites (pile operation, extension and recultivation) and higher costs for the operation of new storage ponds for the interim storage of saline wastewater. / TAB: 1.1.7

Operating costs primarily include additional environmental protection measures. These measures relate in particular to water conservation, prevention of air pollution and climate protection, waste control, nature conservation, land reclamation and relate to facilities separate from other production processes. Operating costs and depreciation and amortisation relating to production facilities included in the package of measures for water protection, which are integrated into production processes at the Werra plant, are not included. Both the costs of the additional environmental protection measures and the integrated costs not shown here are production cost components as a whole and thus increase the specific costs per tonne of product.

CAPITAL EXPENDITURE ON ENVIRONMENTAL PROTECTION [1] TAB: 1.1.6

in € million	2015	2014	absolute deviation	%
Total	**104.8**	**76.8**	**28.0**	**+36.5**
Water protection	88.4	61.6	26.8	+43.5
Air pollution control and climate protection	10.1	3.9	6.2	>100
Waste management	5.4	5.3	0.1	+1.9
Nature conservation [2] and soil rehabilitation	0.8	6.0	−5.2	−86.7
Others	0.1	—	0.1	—

[1] The reporting of environmental costs is based on the German Environmental Statistics Act (Umweltstatistikgesetz, UStatG), but also includes the items from our global operations.
[2] Including landscape preservation.

OPERATING EXPENSES FOR ENVIRONMENTAL PROTECTION [1] TAB: 1.1.7

in € million	2015	2014	absolute deviation	%
Total	**176.8**	**150.8**	**26.0**	**+17.2**
Water protection	123.6	101.4	22.2	+21.9
Air pollution control and climate protection	34.9	33.6	1.3	+3.9
Waste management	10.2	8.4	1.8	+21.4
Nature conservation [2] and soil rehabilitation	2.3	1.4	0.9	+64.3
Others	5.8	6.0	−0.2	−3.3

[1] The reporting of environmental costs is based on the German Environmental Statistics Act (Umweltstatistikgesetz, UStatG), but also includes the items from our global operations.
[2] Including landscape preservation.

DECOMMISSIONING OF MINES

Once the raw material in a mining operation has been exhausted, measures need to be implemented for partial or complete closure of the mine. In Germany, decommissioning and after-care are regulated by the German

Federal Mining Act (Bundesberggesetz). A closure plan must be drawn up and examined and approved by the authorities. The aim is to avoid any disadvantageous consequences for people and the environment caused by the decommissioned mining operation after the measures in the closure plan have been implemented. A check is also made as to whether and how the existing facilities can continue to be used.

If no reasonable re-use of decommissioned mines is possible, in principle we are under an obligation to flood remaining caverns that have steep seams. A total of 25 mines have been flooded in Lower Saxony, three are currently being flooded and one is being kept 'dry'. Parts of the excavation caverns in the Lower Saxony mine had already been backfilled during the operating phase in accordance with official requirements. Finally, the former operational areas above the ground need to be examined and any pre-existing environmental contamination eliminated. At present, seven sites in Lower Saxony are in the process of being secured, and at 20 sites this has been completed.

There are also detailed plans available for those sites in the United States and in Canada, as to what decommissioning and reclamation should entail after a mining operation ceases production and what after-care is to look like in the event of site closure. The scope of these measures is dependent upon the type of extraction and the degree of environmental impact. Sites that operate solution mining are also required to completely deconstruct technical infrastructure and seal drill holes in order to protect groundwater.

In Chilean open-cast mining, after a mining area has been decommissioned, the facilities and any residues must be removed and the edges of the mine secured by levelling differences in height. Complete backfilling is not necessary. In the event of closure of the solar evaporation salt site at the Great Salt Lake in Utah, the area will largely need to be restored to its original condition.

WATER

We use water in a large number of processes. These range from mining and production to the use of our products in the agricultural industry. Freshwater is introduced into solution mining beds through a drill hole, for example, which results in chambers filled with a saturated brine solution. The brine is then conveyed to the surface via a pipeline for further processing. Our water-intensive production is located in regions where a sufficient quantity of water is available. In relation to the application of plant nutrients, one research focus of the IAPN with a view to water and resource efficiency is on following current trends and researching the general conditions required for soil fertility. The results will benefit agriculture.

WATER WITHDRAWAL

Efficient water usage is a Group-wide objective. MORTON SALT has defined specific targets for reducing its freshwater usage by 10 % by 2020 based on 2013 data. We use water of variable origin and quality, including seawater, river water, ground water and drinking water.
/ TAB: 1.1.8

WATER WITHDRAWAL[1] TAB: 1.1.8

in million m³	2015	2014
Seawater		
Seawater and other salty water	267.2	282.6
Freshwater		
River water	126.9	130.1
Ground water	7.5	8.5
Drinking water	1.1	1.0
Other water sources	–	0.1
Total freshwater withdrawal	**135.5**	**139.7**

[1] Previous year's figures were adjusted.

Seawater and water from saltwater inland lakes are used in the production of solar evaporation salt. Locations close to the ocean use both seawater and cooling water.

In 2015, we used 135.6 million m³ of freshwater (2014[1]: 139.7 million m³). The reduced use of freshwater is due both to the lower production volume in the water-intensive production of the Potash and Magnesium Products business unit as well as to vacuum salt production, and

[1] Previous year's figures were adjusted.

to the water saving projects at MORTON SALT relating to ground water. The removal of sea water and saline water from inland saline lakes amounted to 267.2 million m³ (2014[1]: 282.6 million m³). The moderately reduced removal of seawater is due to the slow-down of our sea salt production on account of adverse weather in the Bahamas.

River water is used in production processes and as process water (largely cooling water); only 108.7 million m³ (2014[1]: 114.7 million m³) of this was again discharged into surface waters. The water saving targets at MORTON SALT and the lower production volume in the water-intensive production areas of the Potash and Magnesium Products business unit as well as in vacuum salt production will be significant here. If hygiene guidelines or quality requirements make provision for the use of water of drinking water quality, this is also used in production. It is either drawn from the communal water supply or partially extracted from the groundwater in our own facilities.

WASTEWATER

Unusable liquid residues accumulate in addition to solid residues when processing potash and magnesium crude salts. These include wastewater from production processes as well as saline wastewater solutions caused by rainfall on uncovered tailing piles (so-called pile wastewater).

In 2015, a total of 9.1 million m³ (2014: 9.6 million m³) of saline wastewater was generated by our potash and salt production as well as pile waste water. The volume and chemical composition of process wastewater are dependent on many factors such as crude salt quality, the processing method used, the product manufactured and the product quality required. Sealing and drainage systems make the collection of pile runoff possible. Liquid residues that are not recycled are disposed of on the basis of existing permits and in compliance with official threshold values for discharge into rivers and injection into deep rock layers.

In 2015, 5.4 million m³ (2014: 5.8 million m³) was discharged into rivers, the majority into the Werra river. In addition, 3.7 million m³ was injected into the plate dolomite in 2015 (2014: 3.8 million m³). Furthermore, 0.53 million m³ of sanitary wastewater (2014[1]: 0.53 million m³) either was either discharged into communal sewage plants or treated in our own wastewater treatment plants.

INJECTION PERMIT

The permit under water law for injecting saline wastewater from the Werra plant into the plate dolomite expired on 30 November 2015. K+S KALI GMBH submitted an application in April 2015 for permission to inject an average of up to 2 million m³ per year (previously 4.5 million m³ per year) into the plate dolomite until the end of 2021. The application included comprehensive expert reports and external opinions, inter alia regarding the protection of ground and drinking water and environmental monitoring.

The processes occurring underground in conjunction with injection are determined by means of comprehensive monitoring, which is based on three pillars: Groundwater and drinking water as well as surface water is monitored by regular investigations of samples. Geophysical measurements from the air provide information about the salt concentration in the soil. The findings made here are supported by a computer-aided 3D model which can reproduce the processes that take place underground.

On 18 December 2015, K+S KALI GMBH obtained the limited permission (725,000 m³ related to a period of one year) by the Kassel regional council to dispose of saline wastewater from the Werra plant until 31 December 2016. K+S is expecting to receive the final decision on the application to continue injecting saline wastewater until the end of 2021, which was submitted in April 2015, once the technical analysis has been completed by the authorities, in the summer of this year.

PACKAGE OF MEASURES FOR WATER PROTECTION

In 2015, we achieved our goal to halve the annual quantity of saline wastewater from local potash production in the Hesse-Thuringia potash district compared to the

[1] Previous year's figures were adjusted.

base year of 2006 to 7 million m³ per year. Comprehensive measures to prevent saline water have been implemented with this goal in mind since 2011. Cold preliminary decomposition as well as an additional thick matter facility underground were commissioned at the Unterbreizbach site. A new ESTA facility was constructed in Hattorf, further evaporation facilities were built and kieserite flotation was modernised at the Wintershall site. The implementation of the package of measures for water protection constitutes the basis for the forthcoming Four-Phase Plan.

PERMANENT SOLUTION FOR DISPOSAL OF SALINE WASTEWATER

Back in 2014, K+S and the state government of Hesse developed a Four-Phase Plan for the permanent disposal of the unavoidable residue that arises during production. The plan covers the time period up to 2075 and proposes a further reduction in environmental impact. It aims to create reliable job prospects for local raw material extraction, as well as the associated added value in the Werra-Fulda potash district.

/ MORE INFORMATION: www.k-plus-s.com

The key elements of the Four-Phase Plan are building a kainite crystallisation flotation facility (KKF) to further reduce the volume of saline wastewater by 1.5 million m³ to 5.5 million m³ and covering the potash piles, as well as building and temporarily using an extended long-distance pipeline to the Upper Weser river. By the end of 2021, once this project has been successfully completed, it may no longer be necessary to use injection as a means of disposal.

The Weser River Basin Commission (FGG Weser) has developed the 'Salt Reduction Masterplan' (a working level document) for the future management plans of the Werra and Weser rivers. The plan contains the key points of the Four-Phase Plan for the years of 2015 to 2021 (KKF, covering piles, injection until the end of 2021). Additionally, the masterplan assumes that it will be possible to implement measures that are yet to be investigated, such as the underground stacking of 3 million m³ of saline wastewater per year. Moreover, the 'Salt Reduction Masterplan' also views the construction of a temporary long-distance pipeline to the Upper Weser river with an inadequate transport capacity (0.8 million m³/year) as being an alternative disposal method that is only to be used if the planned level of mitigation of wastewater cannot be achieved (or fully achieved) by stacking.

Without prior determination of interests with K+S, the 'Salt Reduction Masterplan' also includes the political goal of keeping very low threshold values for chloride, magnesium and potassium in the Upper Weser river from the end of 2021 and 2027, respectively, with plans even calling for restricted production if necessary.

K+S is ruling out any interference of this nature with production control because, from today's perspective, this would be disproportionate and would seriously affect operations at the local locations in the Werra-Fulda potash district, possibly rendering it completely uneconomic.

K+S is in close talks with the Weser River Basin Commission (FGG Weser). It is conducting a thorough and careful review of the contents of the 'Salt Reduction Masterplan' for the future management plans on a legal and factual basis. K+S has delivered its detailed written opinion in relation to the draft plans of the Weser River Basin Commission (FGG Weser), drawing attention to the problems and issues. For that reason, K+S reserves the right to take legal action against the 'Salt Reduction Masterplan'.

WASTE (SOLID RESIDUES)

Most of our solid waste can be categorised as mining waste. This occurs during the extraction and processing of crude potash salts and is piled up using state of the art equipment in accordance with statutory requirements, or placed in mine openings underground. Non-mining waste that accumulates in considerably lower quantities is also disposed of in accordance with regulations.

PILE MANAGEMENT

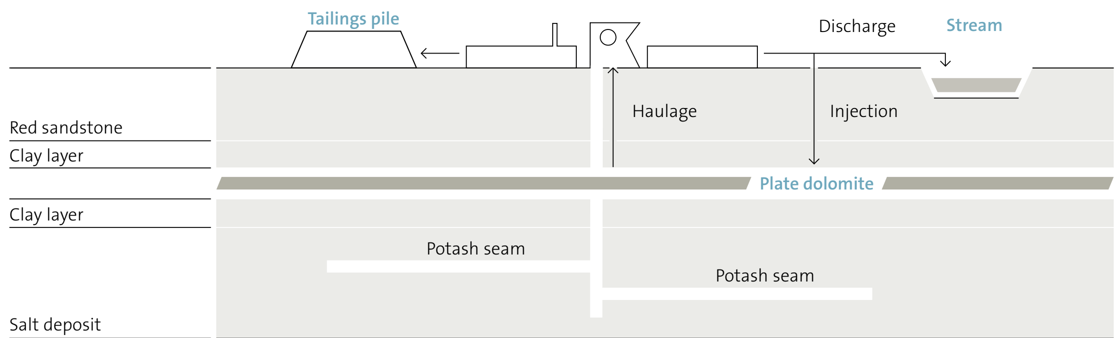
Solid residues from the potash industry are piled up using state of the art equipment across the world. Depending on the deposit type, a certain amount can be accommodated underground as backfill material, the rest is piled up above ground. In 2015, K+S KALI

GMBH piled up 27.3 million tonnes of solid residues (2014: 26.9 million tonnes) and accommodated 1.9 million tonnes as backfill underground (2014: 1.8 million tonnes). Piles are created and configured depending on the conditions at the individual locations. Comprehensive monitoring schedules have been defined by the licensing authorities for the piles. In addition to numerous measuring points for groundwater and surface water monitoring, these schedules also include dust and deformation measurements to determine the structural stability of the piles. Regular inspections are also made to monitor pile infrastructure and pile operations. / FIG: 1.1.12

The extension of existing residue piles is unavoidable in order to secure potash production in the long term. An official licensing procedure for the expansion of the Hattorf pile has been ongoing since mid 2014; the framework for evaluation was defined with the authorities in the autumn of 2011. A decision on the plan approval procedure is due in 2016.

It is also likely that K+S KALI GMBH will submit the approval documents for extension of the Zielitz and Wintershall piles to the relevant authorities in 2016. In the run-up to the approval process, the general public has been provided with comprehensive information about the project through a variety of communication channels. The official licensing procedure also includes a public consultation.

DISPOSAL OF SOLID/LIQUID RESIDUES FIG: 1.1.12



Small and medium-sized disused tailing piles have been covered as part of our old pile strategy in an effort to avoid and minimise long-term impact on nature and the environment. Overall, 41 disused tailing piles in Lower Saxony and two in Baden-Württemberg are currently being maintained. Fifteen of these have been revegetated and another six are in the process of being revegetated. Eleven smaller tailing piles have been removed and three have been partly deconstructed.

The pile at the Sigmundshall plant is gradually being covered and revegetated during the operational phase.

To minimise land use and the associated formation of tailing pile wastewater as well as impact on subjects of protection, such as soil or bodies of water, active piles are raised to heights of up to 200 metres with steep slopes. We are currently conducting extensive research and pilot tests on this type of tailing pile so that we can select and improve suitable covering materials that allow for revegetation. In this way, the amount of saline pile runoff will be reduced drastically over the long term. The tailing piles at the Werra plant will be covered in the long-term as part of the Four-Phase Plan.

Compensatory and replacement measures are provided by law in connection with the pile expansions, some of which have been implemented already. These measures are being planned and coordinated with the relevant nature conservation authorities, land owners and communities as well as several nature conservation organisations. The compensatory measures include long-term projects that aim to create new biotopes for fauna and flora. Reforestation will also be carried out in areas deemed to be of poor quality from a nature conservation perspective. New habitats will also be created in neighbouring areas ahead of expansion.

OTHER WASTE

The collection of hazardous waste is obligatory in Germany. We collect other non-mining waste on a voluntary basis in order to identify potential for cost savings and volume reduction. MORTON SALT is working with an external waste consulting company in order to improve waste management at its production sites in North America. MORTON SALT has set a target of reducing landfilled waste by 50 % compared to the base year of 2013 by 2020. In 2015, the volume of waste (not including building waste) was 64,413 tonnes (2014[1]: 65,526 tonnes). It was possible to recycle 58.7 % of this waste. In doing so, our recycled waste quota shifted to the previous year's level. Of the total amount of waste (not including building waste), 4.5 % is classified as hazardous and disposed of in accordance with the relevant regulations (2014[1]: 8.1 %).

[1] Previous year's figures were adjusted.

ENERGY/CLIMATE

We want to use energy efficiently. To ensure our competitiveness, we must optimise energy consumption. In addition to its positive influence on the economic efficiency of K+S, effective energy management should reduce energy-related impact on the environment, such as greenhouse gas emissions.

ENERGY EFFICIENCY

In 2015, we operated an ISO 50001 certified energy management system in all German companies. Certification is one of the prerequisites for us to obtain a refund of part of the energy tax of presumably € 15.9 million that we paid in Germany in 2015 as an energy-intensive company in the manufacturing industry. The energy management system contributes to more efficient use of all the fuels used and to continuous optimisation of K+S energy costs. In addition to the large number of measures implemented, increased awareness on the part of our employees of careful use of energy has also contributed.

In 2015, the Federal Act on Energy Services and other Energy Efficiency Measures (EDL-G) was also adapted. In accordance with the statutory obligation arising from this legislation, German sales companies conducted an energy audit in line with DIN EN 16247 prior to 5 December 2015. European companies outside Germany are exempted from the obligation to conduct an energy audit according to the respective national statutory position regarding the implementation of the EU Energy Efficiency Directive (EED).

MORTON SALT has set a target of reducing energy consumption by 20 % compared with the base year of 2013 by 2020. For instance, two coal-powered sites in the USA will be converted to lower emission natural gas in 2016. MORTON SALT is also investigating the possibility of using renewable energy sources (solar and/or wind) at three production sites in North America and one located in the Bahamas.

The energy sources used differ according to the location of the mines and production facilities. Approximately 85 % of the energy and steam required for operating our power stations, drying facilities and evaporated salt plants in Germany is generated using natural gas. Six of our seven German potash plants have their own power stations, which operate exclusively in accordance with the cogeneration (CHP) principle. Their efficiency level is 90 %. Moreover, combined heat and power stations were commissioned at two sites in 2015 in order to make energy supply at these sites more efficient. In 2015, overall energy consumption amounted to 9,805.2 GWh (2014[1]: 10,057.3 GWh). The slightly reduced energy consumption compared with the previous year is due firstly to the lower production volume in the energy-intensive areas of the Potash and Magnesium Products business unit as well as to vacuum salt production, and secondly to efficiency gains. / TAB: 1.1.9

On account of the constant expansion of our underground raw material mining areas, we are anticipating an increasing specific requirement for primary energy. All other things being equal, this will require a continually increasing energy input from natural gas to produce the energy necessary to ventilate the mine workings and operate the conveyors underground as well as from diesel to transport personnel. Furthermore, the average usable material content of German deposits tend to run lower, which in turn increases specific energy inputs. With a view to making further savings by using primary energy, we are investigating the expansion of combustion technology on an industrial scale at several locations. The potential identified at the Hattorf site will be the subject of a feasibility study.

ENERGY INPUT BY ENERGY SOURCE [1] TAB: 1.1.9

in GWh	2015	2014
Direct energy sources	**7,618.6**	**7,846.0**
Natural gas	6,110.7	6,235.4
Coal	1,059.7	1,153.3
Diesel	405.2	406.3
Fuel oil	32.3	39.8
Liquefied petroleum gas (LPG)	8.0	8.3
Petrol	2.7	2.9
Indirect energy sources	**2,186.6**	**2,211.2**
Externally sourced electricity	464.4	519.3
Externally sourced steam	1,719.0	1,688.7
Extern sourced heat	3.2	3.2
Total energy consumption	**9,805.2**	**10,057.2**
Sold electricity	**32.8**	**34.4**

[1] Previous year's figures were partially adjusted.

CLIMATE

The UNITED NATIONS 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. The IPCC attributes this development to the increasing emission of greenhouse gases by human activities. It has concluded climate change will continue and will be associated with more frequent extreme weather.

On a political level, the consequences and adjustment mechanisms are being discussed in different national, regional and global contexts. In order to limit global warming to 1.5 °C compared with pre-industrial levels as far as possible, the 195 participating countries signed a global climate treaty in December 2015. The outcomes of the treaty in terms of their impact on K+S are analysed.

In 2005, the EUROPEAN EMISSIONS TRADING SYSTEM (EU ETS) for regulating greenhouse gas emissions in energy-intensive industries entered into force. Emissions will be reduced in those places where the cost of reduction is lowest. By capping emissions allowances in the marketplace, carbon dioxide emissions can be reduced. This system is currently in the third trading period and has been revised several times. At present, EU policy-makers are working on an amendment for the period after 2020. We currently operate 13 power stations and drying facilities that are subject to emissions trading. Their emissions are recorded in accordance with current EU monitoring guidelines and verified by external audit organisations.

This year we report Scope 1 and Scope 2 emissions in full for the first time. In addition to CO_2, we also report CO_2 equivalents (CO_2e), which are composed of greenhouse gases other than CO_2, for example methane (CH_4). In 2015, CO_2e emissions from the consumption of all direct and indirect fuels (Scope 1 and 2) was 1.7 million tonnes and thus, based on the new calculation basis with emission factors from the GREENHOUSE GAS PROTOCOL, slightly lower than in the previous year (1.8 million tonnes[1]) according to energy consumption. We are currently verifying the relevance of further indirect emissions (Scope 3), in particular those arising from the transport of our products.

/ MORE INFORMATION: Glossary, page 195

[1] Previous year's figures were adjusted.

1.2 DECLARATION ON CORPORATE GOVERNANCE[2]

In accordance with Section 289a of the German Commercial Code (Handelsgesetzbuch – HGB), the Board of Executive Directors issues the following declaration on corporate governance; a report by the Board of Executive Directors and the Supervisory Board is also provided with this statement in accordance with Item 3.10 of the German Corporate Governance Code.

Our goal is responsible management and monitoring of the Company that is geared towards sustainable value creation. This principle forms the basis of our internal decision-making and control processes.

We provide information about the Company's position and any significant changes in business to the shareholders, shareholder associations, financial analysts, the media and interested members of the public, simultaneously and in an equal manner, through regular, open and up-to-date communication. We not only publish all important information such as on the Annual General Meeting, press releases, ad hoc disclosures and notifications of voting rights, all financial and sustainability reports, but also analysts' recommendations and consensus forecasts as well as Company presentations on our website.

[2] Information contained in the sections 'Governing Bodies', 'Declaration on conformity/Governance' and 'Compliance Management' in accordance with Section 289a of the German Commercial Code (HGB) are not covered by the audit according to section 317 (2) (4) of the German Commercial Code (HGB)'.

The financial calendar can be found in the Annual Report, in the half-yearly and quarterly financial reports as well as on the Company's website. The Company's Articles of Association and the bylaws of the Board of Executive Directors and the Supervisory Board can also be viewed on this website as well as detailed information on the implementation of the recommendations and suggestions made in the German Corporate Governance Code. An e-mail newsletter provides up-to-date news from the K+S GROUP.

GOVERNING BODIES

The governing bodies of the Company are the Annual General Meeting, the Supervisory Board and the Board of Executive Directors. The powers vested in these bodies and their duties and responsibilities are governed by the German Stock Corporation Act (Aktiengesetz), the German Co-Determination Act (Mitbestimmungsgesetz), the Articles of Association and the bylaws of the Board of Executive Directors and the Supervisory Board.

ANNUAL GENERAL MEETING

The shareholders assert their rights at the Annual General Meeting and decide on fundamental matters affecting the Company by exercising their voting rights. Each share carries one vote (one share, one vote principle). All documents that are important in terms of decision-making are also made available to shareholders on our website. The Annual General Meeting is also streamed live online until the end of the speech by the Chairman of the Board of Executive Directors. Shareholders can exercise their voting rights through an authorised representative of their choice and can issue instructions to them or can also cast a postal vote. A power of attorney can be granted or instructions issued using an electronic system on our website. Shortly after the end of the Annual General Meeting, we also publish details of attendance and the results of the voting online.

/ FURTHER INFORMATION ABOUT THE ANNUAL GENERAL MEETING: www.k-plus-s.com/agm

SUPERVISORY BOARD

In accordance with Article 8 (1) (1) of the Articles of Association, the composition of the Supervisory Board is governed by mandatory statutory regulations. It currently has 16 members and is subject to co-determination in accordance with the German Co-Determination Act (Mitbestimmungsgesetz). The Supervisory Board members are therefore 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. The election is for a term of office of around five years each.

/ FURTHER INFORMATION ABOUT THE COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES:
see page 53; www.k-plus-s.com, section 'Corporate Governance'

The Supervisory Board appoints the Board of Executive Directors and oversees and advises it in connection with the conduct of business activities. It is promptly and appropriately involved in any decisions of fundamental importance. The Board of Executive Directors informs the Supervisory Board regularly, promptly and comprehensively about corporate strategy, planning, course of business, the earnings, financial and asset position, the employment situation and about specific corporate opportunities and risks. The Supervisory Board regularly receives written reports from the Board of Executive Directors in order to prepare for meetings. After thorough review and discussion, the Supervisory Board adopts resolutions on proposals made by the Board of Executive Directors, and other matters where required. In the case of particular business transactions that are of great importance to the Company, the Supervisory Board is also provided with immediate and comprehensive information by the Board of Executive Directors between routine meetings. The Supervisory Board regularly carries out an efficiency review in the form of a questionnaire in order to obtain pointers for the future work of the Supervisory Board and its committees.

/ FURTHER DETAILS ON THE SUPERVISORY BOARD'S ACTIVITIES IN THE 2015 FINANCIAL YEAR: see Supervisory Board Report, page 12

The Supervisory Board has imposed bylaws on itself and formed four committees from among its members:

+ The Audit Committee performs the tasks arising from the German Stock Corporation Act (Aktiengesetz) as well as the German Corporate Governance Code. It is particularly involved in monitoring the accounting process and the effectiveness of the internal control system, the risk management system, the internal audit system and compliance as well as the audit of the financial statements. It also discusses the quarterly and half-yearly financial reports with the Board of Executive Directors prior to publication. Based on his experience as former head of the Central Legal Affairs, Tax and Insurance Department and as former Chief Compliance Officer of BASF SE, Dr Sünner (independent financial expert), Chairman of the Audit Committee, has comprehensive knowledge and experience with regard to the application of accounting principles and internal control procedures. The Audit Committee has six members and includes an equal number of shareholder and employee representatives.
+ The Personnel Committee is responsible for preparing the appointment of members of the Board of Executive Directors, including long-term succession planning. With regard to determining the total remuneration for the individual members of the Board of Executive Directors, and resolving contractual matters, the Committee submits proposals for resolutions to the plenary meeting of the Supervisory Board. The Chairman of the Supervisory Board is also the chairman of this committee. The Personnel Committee has four members and includes an equal number of shareholder and employee representatives.
+ The Nomination Committee recommends suitable Supervisory Board candidates to the Supervisory Board for proposal to the Annual General Meeting. The Chairman of the Supervisory Board is also the chairman of this committee. The committee has four members, all of whom represent the shareholders.
+ The Mediation Committee performs the tasks set out in Section 31 (3) (1) of the German Co-Determination Act (Mitbestimmungsgesetz). The Chairman of the Supervisory Board is also the chairman of this committee. Two members of this committee are representatives of the shareholders and two represent the employees.

/ BYLAWS OF THE SUPERVISORY BOARD: www.k-plus-s.com, section 'Corporate Governance'

With regard to the German Act on Equal Participation of Women and Men in Management Positions (minimum of 30 % women and 30 % men on the Supervisory Board, to be kept in mind during the new elections and postings abroad that will be necessary after 1 January 2016), we believe we are on the right track as the Supervisory Board now has two female members. The next Supervisory Board election to fall under this new statutory regulation will take place on the shareholders' side in 2017 and on the employees' side in 2018.

It can be seen from the Company's most recent declaration on conformity that the recommendation under Item 5.4.1 of the German Corporate Governance Code is being followed, insofar as the Supervisory Board is supposed to indicate specific targets in terms of its composition. It should be noted in this regard that the Supervisory Board does not itself decide on its own composition and can therefore only work to achieve the targets it pursues by suggesting appropriate candidates for proposal to the Annual General Meeting. As a corporate body, it is not entitled to influence proposals for the nomination of employee representatives.

Mindful of this, the Supervisory Board has passed the following resolution:

'The Supervisory Board shall ensure that its members are persons of integrity, associated with the social market economy and have competence and many years of experience in the management of and/or provision of consulting services to commercial enterprises or business-oriented institutions. Experience and specific knowledge of the Company's main fields of activity are desirable. At least one independent financial expert must belong to the Supervisory Board. Based on his or her nationality or professional experience, at least one member of the Supervisory Board should take particular account of the increased internationality of the Company. Experience in relation to the regions in which the K+S GROUP has a strong presence is particularly desirable.

A further aim is that at least half of the shareholder representatives on the Supervisory Board are independent. This implies in particular that the persons concerned do not hold a governing or advisory position with significant customers, suppliers, lenders, other business partners or main competitors or have any other significant business or personal relationship with the Company or its Board of Executive Directors. Potential conflicts of interest on the part of persons proposed for election to the Supervisory Board should be prevented, wherever possible.'

The Supervisory Board believes that the aforementioned objectives are fulfilled at present.

MEMBERS OF THE SUPERVISORY BOARD IN THE 2015 FINANCIAL YEAR

(Information on other Supervisory Board appointments and Supervisory Bodies as at: 31 December 2015)

Dr Ralf Bethke (born 1942), graduate in business administration, Chairman
Shareholder representative

Entrepreneur (as member of the supervisory boards mentioned below)

Chairman of the Supervisory Board since 14 May 2008
In office until the end of the 2017 Annual General Meeting
First appointed: 1 July 2007

Other supervisory board appointments:
+ BENTELER INTERNATIONAL AG, Salzburg (Chairman since 18 September 2015)
+ DJE KAPITAL AG, Pullach (Chairman)

Michael Vassiliadis (born 1964), chemical laboratory assistant, Vice-Chairman
Employee representative

Chairman of the MINING, CHEMICALS AND ENERGY TRADE UNION, Hanover

In office until the end of the 2018 Annual General Meeting
First appointed: 7 May 2003

Other supervisory board appointments:
+ BASF SE, Ludwigshafen
+ EVONIK INDUSTRIES AG, Essen (Vice-Chairman)
+ STEAG GMBH, Essen (Vice-Chairman)
+ RAG AKTIENGESELLSCHAFT (Vice-Chairman)
+ RAG DSK AG (Vice-Chairman)
+ RAG STIFTUNG, Essen

Ralf Becker (born 1965), trade union secretary
Employee representative

Regional Manager North of the MINING, CHEMICALS AND ENERGY TRADE UNION, Hanover

In office until the end of the 2018 Annual General Meeting
First appointed: 1 August 2009

Other supervisory board appointments:
+ CONTINENTAL REIFEN DEUTSCHLAND GMBH, Hanover (Vice-Chairman)
+ DEUTSCHE SHELL HOLDING GMBH, Hamburg
+ DEUTSCHE SHELL GMBH, Hamburg
+ SHELL DEUTSCHLAND OIL GMBH, Hamburg

Jella S. Benner-Heinacher (born 1960), lawyer
Shareholder representative

Deputy General Manager of the DEUTSCHE SCHUTZVEREINIGUNG FÜR WERTPAPIERBESITZ E.V., Düsseldorf

In office until the end of the 2018 Annual General Meeting
First appointed: 7 May 2003

Other supervisory board appointments:
+ A.S. CRÉATION TAPETEN AG, Gummersbach

Philip Freiherr von dem Bussche (born in 1950), graduate in business administration
Shareholder representative
Entrepreneur / Farmer

In office until the end of the 2020 Annual General Meeting
First appointed: 12 May 2015

Other supervisory bodies:
+ DLG E.V. Frankfurt am Main (Chairman of the Supervisory Board)
+ GRIMME GMBH & CO. KG, Damme (Chairman of the Advisory Board)
+ BERNARD KRONE HOLDING GMBH & CO. KG, Spelle (Chairman of the Advisory Board)
+ DF WORLD OF SPICES GMBH, Dissen (Member of the Advisory Board)

George Cardona (born 1951), economist
Shareholder representative
Entrepreneur (as member of the supervisory bodies mentioned below)

In office until the end of the 2020 Annual General Meeting
First appointed: 9 October 2009

Other supervisory bodies:
+ Board of WESTLINE PTC LTD., Bermuda (until March 2015)
+ Board of WISHBONE GOLD PLC., Gibraltar

Wesley Clark (born 1952), master's degree in business administration
Shareholder representative
Operating Partner of ADVENT INTERNATIONAL PRIVATE EQUITY GROUP, Boston, Massachusetts, USA

In office until the end of the 2018 Annual General Meeting
First appointed: 14 May 2013

Other supervisory board appointments:
+ Board of PATRIOT SUPPLY HOLDINGS, INC., Fort Worth, Texas, USA (Non-Executive Chairman)
+ Board of ABC SUPPLY CORPORATION, Beloit, Wisconsin, USA
+ Board of CLARCOR INC., Franklin, Tennessee, USA
+ Board of DISTRIBUTION INTERNATIONAL, INC., Fort Worth, Texas, USA (Non-Executive Chairman)
+ Board of ULINE INC., Pleasant Prairie, Wisconsin, USA (since 12 February 2015)

Harald Döll (born 1964), power plant electronics technician
Employee representative
Chairman of the Collective Works Council of the K+S GROUP
Chairman of the Works Council of K+S KALI GMBH's Werra plant

In office until the end of the 2018 Annual General Meeting
First appointed: 1 August 2009

Dr Rainer Gerling (born 1958), engineering graduate [1]
Employee representative
Head of K+S KALI GMBH's Werra plant

Resigned on 31 December 2015
First appointed: 14 May 2008

Axel Hartmann (born 1958), retail trade merchant
Employee representative
Vice Chairman of the Collective Works Council of the K+S GROUP
Chairman of the Works Council of K+S KALI GMBH's Neuhof-Ellers plant

[1] Dr Rainer Gerling stepped down from his position on the Supervisory Board on 31 December 2015 owing to his appointment to the Board of Directors of K+S Kali GmbH. In his place, Gerd Kübler, Head of Production and Technology Underground at the Neuhof-Ellers potash plant, was legally appointed as a member of the Supervisory Board acting as executive staff representative with effect from 1 January 2016.

In office until the end of the 2018 Annual General Meeting
First appointed: 14 May 2013

Rüdiger Kienitz (born 1960), mining technologist
Employee representative

Member of the Works Council of K+S KALI GMBH's Werra plant

In office until the end of the 2018 Annual General Meeting
First appointed: 26 March 1998

Michael Knackmuß (born 1975), motor mechanic
Employee representative

Chairman of the Works Council of K+S KALI GMBH's Zielitz plant

In office until the end of the 2018 Annual General Meeting
First appointed: 11 July 2014

Dr rer. nat. Andreas Kreimeyer (born 1955), degree in biology
Shareholder representative

Retired (former member of the Board of Executive Directors and Research Spokesperson at BASF SE, Ludwigshafen)

In office until the end of the 2020 Annual General Meeting
First appointed: 12 May 2015

Other supervisory bodies:
+ ACATECH – DEUTSCHE AKADEMIE DER TECHNIKWISSENSCHAFTEN E.V., Munich, (Member of Executive Committee since July 2015)
+ BASF COATINGS GMBH, Münster (Chairman of the Supervisory Board until 30 April 2015)
+ C.H. BOEHRINGER SOHN AG & CO. KG, Ingelheim, Germany (Member of Advisory Group)
+ KARLSRUHER INSTITUT FÜR TECHNOLOGIE (KIT), Karlsruhe (Vice-Chairman of the Supervisory Board since November 2015)

Dieter Kuhn (born 1958), mining mechanic
Employee representative

First Vice-Chairman of the Collective Works Council of the K+S GROUP
Chairman of the Works Council of the Bernburg plant of ESCO – EUROPEAN SALT COMPANY GMBH & CO. KG

In office until the end of the 2018 Annual General Meeting
First appointed: 7 May 2003

Dr Bernd Malmström (born 1941), lawyer
Shareholder representative

Solicitor

Resigned at the end of the 2015 Annual General Meeting
First appointed: 7 May 2003

Other supervisory board appointments:
+ LEHNKERING GMBH, Duisburg (Vice-Chairman until 22 April 2015)
+ VTG AG, Hamburg

Other supervisory bodies:
+ DAL – DEUTSCHE-AFRIKA-LINIEN GMBH & CO. KG, Hamburg
+ TIME:MATTERS GMBH, Neu-Isenburg (Chairman)
+ COLADA ACQUICO S.À.R.L, Luxembourg

Dr Annette Messemer (born 1964), political scientist
Shareholder representative

Divisional director of COMMERZBANK AG

Other supervisory board appointments:
+ COMMERZ REAL AG, Eschborn

In office until the end of the 2018 Annual General Meeting
First appointed: 14 May 2013

Dr Rudolf Müller (born 1943), agricultural engineering graduate
Shareholder representative

Retired (former member of the Board of Executive Directors of SÜDZUCKER AG MANNHEIM/OCHSENFURT, Mannheim)

Resigned at the end of the 2015 Annual General Meeting
First appointed: 7 May 2003

Dr Eckart Sünner (born 1944), lawyer
Shareholder representative

Independent solicitor in Neustadt a.d. Weinstraße

In office until the end of the 2018 Annual General Meeting
First appointed: 28 April 1992

Other supervisory board appointments:
+ INFINEON TECHNOLOGIES AG, Neubiberg

/ **CURRICULUM VITAE OF THE MEMBERS OF THE SUPERVISORY BOARD:** www.k-plus-s.com/en/aufsichtsrat

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

+ Dr Eckart Sünner (Chairman)
+ Ralf Becker
+ Dr Ralf Bethke
+ Axel Hartmann
+ Dr Annette Messemer
+ Michael Vassiliadis

PERSONNEL COMMITTEE

+ Dr Ralf Bethke (Chairman)
+ Jella S. Benner-Heinacher
+ Harald Döll
+ Michael Vassiliadis

NOMINATION COMMITTEE

+ Dr Ralf Bethke (Chairman)
+ Philip Freiherr von dem Bussche (since 12 May 2015)
+ George Cardona
+ Dr rer. nat. Andreas Kreimeyer (since 12 May 2015)
+ Dr Bernd Malmström (until 12 May 2015)
+ Dr Rudolf Müller (until 12 May 2015)

MEDIATION COMMITTEE

+ Dr Ralf Bethke (Chairman)
+ Harald Döll
+ Dr Eckart Sünner
+ Michael Vassiliadis

THE BOARD OF EXECUTIVE DIRECTORS

The Board of Executive Directors manages the Company under its own responsibility in accordance with the law, the Articles of Association and its bylaws, taking account of the resolutions adopted by the Annual General Meeting. The Board of Executive Directors represents the Company in its dealings with third parties. In accordance with Article 5 (1) of the Articles of Association, the Board of Executive Directors has at least two members. The exact number of members is determined by the Supervisory Board. The Board of Executive Directors had five male members at the end of 2015. With regard to the German Act on Equal Participation of Women and Men in Management Positions, an appointment was not expected to be taken up by a woman in the first period to be defined up to 31 December 2016. No Board of Executive Directors' post is due to end during this period on account of age. The Supervisory Board of K+S AKTIENGESELLSCHAFT has therefore defined a target figure of 0 % for the percentage of women on the Board of Executive Directors for the period indicated.

In accordance with the new legislation, we defined target figures for women at management level below the Board of Executive Directors of K+S AKTIENGESELLSCHAFT. A target figure of 13 % has been determined for management team I of K+S AKTIENGSELLSCHAFT for the first period to be defined to 31 December 2016, and a target figure of 10 % for management team II. We will thereby build on the status quo.

The bylaws govern the cooperation of the Board of Executive Directors and the allocation of business responsibilities as well as mutual representation. The relevant members of the Board of Executive Directors need to be informed about matters concerning more than one business unit or department; measures which also concern other units or departments or deviate from usual day-to-day business have to be agreed with the other members of the Board of Executive Directors. Where possible, such matters should be discussed at the regular meetings of the Board of Executive Directors that are held at two or three weekly intervals and measures decided there, where necessary; a resolution must always be brought on important business matters and measures.

/ BYLAWS OF THE BOARD OF EXECUTIVE DIRECTORS:
www.k-plus-s.com, section 'Corporate Governance'

MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS IN THE 2015 FINANCIAL YEAR

(Information on responsibilities and appointments as at: 31 December 2015)

Norbert Steiner (born 1954), lawyer, Chairman

+ Corporate Communications
+ Corporate Development
+ Corporate Executive HR
+ Governance, Risk, Compliance; Corporate Secretary
+ Internal Auditing
+ Investor Relations

In office until 11 May 2017
First appointed: 12 May 2000

Supervisory Board appointments:

+ TALANX AG, Hanover
+ HDI V.A.G., Hanover
+ K+S KALI GMBH (Chairman), Kassel[1]

Dr Burkhard Lohr (born 1963), graduate in business administration

+ Corporate Controlling
+ Corporate Finance and Accounting
+ Corporate Procurement
+ Corporate Tax
+ Technical Centre and sub-units:
  – Geology
  – Mining
  – Research and Development
  – Technics / Energy
+ All direct shareholdings of the Company insofar as they are not assigned to another area of responsibility

In office until 31 May 2020
First appointed: 1 June 2012

Supervisory board appointments:

+ K+S KALI GMBH, Kassel[1]

Supervisory bodies:

+ HDI-GERLING INDUSTRIE VERSICHERUNG AG, Hanover, Member of Southern Regional Advisory Board
+ COMMERZBANK AG, Frankfurt / Main, Member of North West Regional Advisory Board
+ CHRISTOPH METZELDER STIFTUNG, Member of the Board of Trustees
+ BDI, Committee on Eastern European Economic Relations (Ost-Ausschuss der Deutschen Wirtschaft), Advisory Board member

Dr Thomas Nöcker (born 1958), lawyer, Personnel Director

+ Corporate HR
+ Corporate IT
+ Business Centre and sub-units:
  – Communication Services
  – Financial Accounting
  – HR Services
  – Insurances
  – IT Services
  – Legal
  – Logistics Europe
  – Procurement / Material Management Europe
  – Project Management
  – Real Estate & Facility Management
+ K+S TRANSPORT GMBH
+ K+S VERSICHERUNGSVERMITTLUNGS GMBH
+ WOHNBAU SALZDETFURTH GMBH

In office until 31 August 2018
First appointed: 1 August 2003

Supervisory board appointments:

+ K+S KALI GMBH, Kassel[1]

Dr Andreas Radmacher[2] (born 1965), engineering graduate

+ Potash and Magnesium Products business unit
+ Waste Management and Recycling business unit

[1] Group appointment.
[2] The Supervisory Board of K+S Aktiengesellschaft and Dr Andreas Radmacher mutually agreed not to renew the mandate of Dr Radmacher which will end on 31 August 2016. He left the company as of 29 February 2016. Norbert Steiner will temporarily take over the tasks of Dr Radmacher.

In office until 31 August 2016
First appointed: 1 September 2013

Supervisory board appointments:
+ K+S KALI GMBH, Kassel[1]

Mark Roberts (born 1963), Bachelor of Science (Marketing)
+ Salt business unit
+ Animal Hygiene Products

In office until 30 September 2020
First appointed: 1 October 2012

/ **CURRICULUM VITAE OF THE MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS:** page 11;
www.k-plus-s.com/en/vorstand

/ **CURRENT INFORMATION ON THE COMPOSITION OF THE BOARD OF EXECUTIVE DIRECTORS AND DISTRIBUTION OF RESPONSIBILITIES:**
www.k-plus-s.com, section 'Corporate Governance'

COOPERATION BETWEEN BOARD OF EXECUTIVE DIRECTORS AND SUPERVISORY BOARD

The Supervisory Board is kept informed by the Board of Executive Directors, at regular intervals in a timely and comprehensive manner, regarding any issues that are relevant to the Company as a whole and concern corporate strategy, planning, course of business, the earnings, financial and asset position as well as about any particular business risks and opportunities. Moreover, the Chairman of the Supervisory Board is in close contact with the Chairman of the Board of Executive Directors with regard to all relevant topics. Important business transactions and measures require the consent of the Supervisory Board; more information on this can be found in Section 12 of the Supervisory Board bylaws.

CONFLICTS OF INTERESTS

No conflicts of interests involving members of the Board of Executive Directors or of the Supervisory Board, about which the Annual General Meeting needed to be informed, were disclosed to the Supervisory Board during the reporting period.

D&O INSURANCE

We have taken out D&O insurance in case a claim for compensation is made against members of the Board of Executive Directors or the Supervisory Board based on statutory third-party liability provisions, on account of a breach of duty committed in the exercise of their activity. The excess is 10 % of the respective claim up to a maximum of 1.5 times the fixed annual remuneration. The D&O insurance also applies to managers.

SHARE TRANSACTIONS BY MEMBERS OF THE SUPERVISORY BOARD AND OF THE BOARD OF EXECUTIVE DIRECTORS

In accordance with Section 15a of the GERMAN SECURITIES TRADING ACT (Wertpapierhandelsgesetz; WpHG), members of the Company's Board of Executive Directors

DIRECTORS' DEALINGS – MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS TAB: 1.2.1

	Date	Transaction	Number	Price in €	Amount in €
Dr Thomas Nöcker	12 May 2015	Share purchase	2,000	30.47	60,940.00
Dr Thomas Nöcker	12 May 2015	Share purchase	2,000	30.00	60,000.00

DIRECTORS' DEALINGS – MEMBERS OF THE SUPERVISORY BOARD TAB: 1.2.2

	Date	Transaction	Number	Price in €	Amount in €
Dr Andreas Kreimeyer	24 November 2015	Share purchase	4,000	24.0185	96,074.00
Dr Charlotte Sünner / Dr Eckart Sünner	12 October 2015	Share purchase	220	23.58	5,187.60
Barbara Bethke / Dr Ralf Bethke	7 October 2015	Share purchase	2,000	25.00	50,000.00

[1] Group appointment.

and of the Supervisory Board must disclose the purchase and disposals of Company shares.

In 2015 we published the following information:
/ TAB: 1.2.1, 1.2.2
/ CONSTANTLY UPDATED TABLE:
www.k-plus-s.com/en/meldungen/directors-dealings

On 31 December 2015, the members of the Board of Executive Directors and of the Supervisory Board held less than 1% of the shares of K+S AKTIENGESELLSCHAFT and related financial instruments.

GOVERNANCE AND MONITORING

The target status of an effective and legally compliant governance and monitoring system (internal control system in a broader sense) in the K+S GROUP has been defined by the 'Governance and Monitoring in the K+S GROUP' guideline agreed by the Board of Executive Directors in addition to the relevant statutory requirements. These guidelines also stipulate the regulatory and organisational measures required to ensure that this status is achieved and maintained. This system should guarantee:

+ The sustainable economic efficiency of business operations (these also include protecting assets and preventing and identifying damage to assets),
+ A responsible corporate governance,
+ The adequacy and reliability of internal and external accounting procedures as well as
+ Compliance with legislation relevant to the Company.

The structure of the governance and monitoring system is defined in detail by additional internal regulations and consistent standards are defined for the formulation and communication of such regulations.

The 'Governance, Risk, Compliance; Corporate Secretary' unit, whose manager reports directly to the Chairman of the Board of Executive Directors, is responsible for coordinating Group-level development and maintenance of an effective and legally-compliant corporate management and monitoring system.

The task of the central Governance, Risk, Compliance (GRC) committee is to analyse the general suitability of the governance and monitoring system on a regular basis and to issue recommendations for actions to the respective responsible management if weaknesses are identified.

Firstly, the sub-systems of governance, compliance management, risk and opportunity management and sustainability management, which are relevant for both the governance and monitoring components, are presented below. These complement one another and overlap in part. Finally, governance and monitoring are explained.

CORPORATE GOVERNANCE/DECLARATION ON CONFORMITY

Over and above the legal obligations, we have defined our own core values and principles (Code of Conduct) which form a compulsory framework for our conduct, our decisions and provide orientation for our corporate actions.

CORE VALUES AND PRINCIPLES (CODE OF CONDUCT)

The high degree of entrepreneurial expertise the K+S GROUP shows in its business segments is recognised by business partners and other stakeholders alike. We consider it a great challenge to maintain and to continuously develop this reputation. In order to do this we rely on the integrity and responsibility of each individual employee.

Sustainability

We know that a sustainable and 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 recognised 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.

Other important regulations applicable across the Group are our 'Management within the K+S GROUP', 'Organisation within the K+S GROUP' and 'Governance and Monitoring in the K+S GROUP' guidelines.

Each organisational unit of the K+S GROUP is obliged, in compliance with the regulations of higher-level units, to issue the required illustrative regulations for its area of responsibility to ensure proper governance and monitoring.

The content of (overall) works agreements and regulatory standards (= rules and standards of third parties, which the K+S GROUP or parts of it have undertaken to comply with and implement) have the same importance as internal regulations; this applies inter alia to the German Corporate Governance Code unless the Board of Executive Directors and the Supervisory Board have jointly agreed on deviations from its recommendations.

In December 2015, the Company's Board of Executive Directors and the Supervisory Board made the following joint declaration in accordance with Section 161 of the German Stock Corporation Act (AktG):

'We declare that the recommendations of the Government Commission German Corporate Governance Code, amended on 24 June 2014 and published by the German Ministry of Justice in the official section of the German Federal Gazette, were complied with in 2015 with the exception of the recommendations of Clause 5.1.2 Paragraph 2 Sentence 3 (Determination of an age limit for the members of the Board of Executive Directors) and 5.4.1 Paragraph 2 Sentence 1 (Determination of an age limit for the members of the Supervisory Board) and that the recommendations of the Government Commission German Corporate Governance Code, amended on 5 May 2015, will be complied with in 2016 with the exception of the recommendations of Clause 5.1.2 Paragraph 2 Sentence 3 (Determination of an age limit for the members of the Board of Executive Directors) and 5.4.1 Paragraph 2 Sentence 1 (Determination of an age limit as well as a regular limit of length of membership for the members of the Supervisory Board). We do not believe that it is necessary or practical to establish strict age limits for the members of the Board of Executive Directors and the Supervisory Board as well as a regular limit of length of membership since the ability to carry out the work of the respective corporate responsibility area does not necessarily end by a certain age or a certain length of membership, but depends solely on the respective individual skills. Also in light of the demographic development, particularly age limits are in conflict with the general interest of the company which is to fill the positions in its corporate boards the best possible way.

Kassel, December 2015'

Of the numerous suggestions contained in the Code, only the following have not been fully implemented by K+S:

+ The Annual General Meeting is not streamed live online in its entirety (Code item 2.3.4), but only up to the end of the speech given by the Chairman of the Board of Executive Directors.
+ The suggestion in item 3.7 paragraph 3 is only taken up insofar as, in the event of a takeover bid, an extraordinary General Meeting should only be convened in the cases indicated.

/ THESE AS WELL AS ALL PREVIOUS DECLARATIONS:
www.k-plus-s.com, section 'Corporate Governance'

COMPLIANCE MANAGEMENT

Our Group-wide compliance management system creates the prerequisites for ensuring awareness across the Group of applicable legislation as well as our internal regulations and other regulations of equal importance and that compliance with these can be monitored. We want not only to avoid the risks of liability, culpability and fines as well as other financial disadvantages for the Company, but also to 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 penalties inflicted.

The Board of Executive Directors has entrusted the head of the 'Governance, Risk, Compliance; Corporate Secretary' unit with the role of Chief Compliance Officer and the task of ensuring the existence of an effective and legally compliant compliance management system in the K+S GROUP. He reports directly to the Chairman of the Board of Executive Directors and heads up the central Compliance Committee on which the compliance officers of each business unit and the heads of central Company functions that are relevant in terms of compliance have a seat (for example, Internal Auditing, Legal, Human Resources, Environmental Protection departments).

Every employee is acquainted with the core values and principles that are applicable across the Group as well as the internal regulations derived from them (for example, 'Compliance Management in the K+S GROUP', 'Donations and Sponsoring of the K+S GROUP' and 'Extending and Accepting Gifts, Invitations, and other Donations'). 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 the financing of terrorism, environmental protection, occupational safety).

Employees have the option to seek advice internally in compliance-related matters (for example, from the legal departments or compliance officers). Moreover, we have set up external hotlines (ombudspersons) for reporting compliance breaches, anonymously if desired.

MANAGEMENT OF RISKS AND OPPORTUNITIES

The risk and opportunity management system pursues the aim of promptly identifying and evaluating risks and opportunities across the entire K+S GROUP, which may have a direct or indirect influence on the asset, financial or earnings position and taking steps to prevent/reduce the risks or use the opportunities and thus be able to support the safeguarding of the Company's success on a sustainable basis. Moreover, structured internal and external reporting of the risks and opportunities should be ensured. The following principles apply in this respect:

+ Corporate actions are inevitably associated with risk. The aim is to use the opportunities available and only take risks that are unavoidable in order to secure income potential.
+ No action or decision may constitute a risk in itself, which can foreseeably lead to a risk in terms of the Company's continued existence.

A directive that is applicable across the Group governs the tasks and powers of the parties involved in the risk management process, the risk and opportunities management process itself and defines the requirements for risk and opportunity reporting.

The central risk and opportunities management committee set up at the beginning of 2016 has the task of providing general advice on general issues relating to risk and opportunities management and coordinating these across the Group. It also has the task of analysing the general suitability of the risk and opportunities management system on a regular basis and issuing recommendations for actions to the respective responsible management if a need for adjustment is identified.

A detailed description of the process for identifying, assessing, controlling and reporting risks and opportunities, a presentation of risk management in relation to financial instruments (IFRS 7) as well as the significant risks and opportunities, can be found in the Risk and Opportunity Report from page 102.

SUSTAINABILITY MANAGEMENT

Corporate action on the part of K+S is geared towards the achievement of sustainable economic success. In order to enjoy economic success in the long term, appropriate account also needs to be taken of ecological and social aspects. Therefore ecological and social issues as well as societal trends are identified early and systematically, and assessed in the context of sustainability management. The inclusion of the aspects considered relevant in the management processes are intended to help promote existing business, seize new business opportunities and minimise risks.

Following a holistic approach, sustainability management has been incorporated into the 'Governance, Risk, Compliance; Corporate Secretary' unit. The task of the unit in this respect is to create effective structures to engage in and deal with sustainability issues within K+S and determine, analyse and prioritise the sustainability requirements of K+S and those imposed on it as well as draw up proposals to the Board of Executive Directors for determining sustainability targets across the Group.

The central sustainability committee has the task of advising on sustainability issues and coordinating these across the Group. It also analyses the general suitability of the sustainability management system for achieving the defined objectives on a regular basis and issues recommendations for action to the respective responsible management if a need for adjustment is identified. The committee met on three occasions in 2015 in order to advise on the completeness and performance analysis as well as the courses of action to be derived from this.

/ MORE INFORMATION: see section 'Strategy for dealing with sustainability issues', page 75

GOVERNANCE

The framework and general objectives of the K+S GROUP governance system are derived from its vision and mission:

VISION

A source of growth and life through nutrients and minerals

MISSION

Through commitment to our core values and principles and pursuing our vision, we seek:

+ 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 on 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

The Group strategies defined by the Board of Executive Directors serve as the basis for fulfilment of this mission. Sub-targets and sub-strategies, processes and measures are defined for its implementation based on regular talks between the Board of Executive Directors and the heads of the K+S AKTIENGESELLSCHAFT units reporting directly to it and the management of key Group companies, which in turn are broken down in a cascading process to the respective subordinated organisational levels. The relevant content of each of these has to be communicated by superiors to the employees concerned.

The quality of target definitions is crucial in terms of achieving these targets and being able to assess them. Therefore, they must be specific, measurable, achievable, realistic and time-based and should not contradict other targets.

Key business transactions and measures require the approval of the entire Board of Executive Directors or of the member of the Board responsible for the respective unit/Group company.

Major management instruments are mid-term planning and rolling monthly planning.

KEY FINANCIAL PERFORMANCE INDICATORS

The Company is managed based on the following key financial performance indicators:

+ Operating earnings EBIT I (K+S GROUP, business units)
+ EBITDA[1] (K+S GROUP, business units)
+ Capital expenditure[2] (K+S GROUP, business units)
+ Adjusted free cash flow[3] (K+S GROUP)
+ Return on Capital Employed 'ROCE'[4] (K+S GROUP, business units)
+ Group earnings after taxes, adjusted (K+S GROUP)

/ **OVERVIEW OF DEFINITIONS OF KEY INDICATORS USED HERE:** page 191

The comparison of the actual and projected course of business on page 83 includes, amongst others, the performance indicators referred to above.

[1] Adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.
[2] Capital expenditure on property, plant and equipment, intangible assets, investment properties and financial assets.
[3] The calculation of the 'Adjusted free cash flow' performance indicator can be found in the Economic Report on page 92.
[4] The calculation of the 'ROCE' performance indicator can be found in the Economic Report on page 89.

The activities of our operating units are managed on the basis of the aforementioned performance indicators, with particular importance attached to EBITDA and EBIT I, as these are, in our opinion, the appropriate variables for assessing earnings capacity. Key figures for the management of the capital structure, its target figures and values actually achieved can be found on page 89. Capital expenditure is also an important management variable both at operating unit and Group level in terms of achieving a targeted allocation of our financial resources. When considering cash flow figures, the 'adjusted free cash flow' figure is of particular relevance due to the high capital expenditure in 2016.

We use the performance indicator 'Return on capital employed (ROCE)' to monitor the financial objective, and derive the value added using the weighted average cost of capital rate before taxes. We also continually monitor the 'Adjusted Group earnings after tax' figure, the basis for dividend proposals.

A presentation and description of the development of earnings figures in the last five years can be found in the 'Earnings Position' section on page 83 and that of cash flow and capital expenditure in the 'Financial Position' section on page 89.

In addition to revenues and return on total investment, other key financial figures and non-financial figures that are also relevant to the K+S GROUP are sales volumes, average prices and the number of employees. However, these have not been considered as key performance indicators within the meaning of German Accounting Standard DRS 20.

NON-FINANCIAL PERFORMANCE INDICATORS

The requirements of K+S and those imposed on it will be determined, analysed and prioritised in the context of sustainability management in order to define specific sustainability targets for sub-areas (sites, companies, product segments etc.). Thus, the efficient use of water and energy are general aims in the area of the environment.

/ **MORE INFORMATION:** see section 'Strategy for Dealing with Sustainability Issues', page 75

MONITORING

The monitoring system is intended to ensure fulfilment of the management requirements developed in the context of the governance system as well as compliance with the relevant legal requirements. It consists of process-integrated monitoring measures (internal governance system in the narrow sense) as well as process-independent monitoring measures.

Process-integrated monitoring measures: The management responsible for an internal process must analyse the risks jeopardising the achievement of process objectives that is legally compliant and complies with internal regulations. Upstream, process-integrated controls are to be defined depending on the significance of the respective risk that are designed to prevent the occurrence of this risk. Downstream, process-integrated controls are also to be defined which identify errors that have occurred or risks that have materialised as quickly as possible so that the relevant action to counter these can be taken. Depending on the materiality of the respective process and its risks, the risk analysis conducted, the controls defined and the action taken are to be recorded.

Non-process dependent monitoring measures are implemented by the internal audit. Reports containing summary audit findings are produced for these audits and presented to the respective responsible management in order to support managers with assessing general suitability and actual effectiveness of the governance and monitoring system. The reliability of the risk management system and the compliance management system are reviewed on a regular basis.

Non-process dependent monitoring measures are taken externally in connection with the annual audits as well as in the form of IT penetration tests.

GROUP ACCOUNTING PROCESS (SECTION 289 (5) AND SECTION 315 (2) (5) OF THE GERMAN COMMERCIAL CODE (HGB))/AUDIT

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), as applicable in the European Union, are applied when preparing the Company's consolidated financial statements. The directives for K+S GROUP accounting and reporting in accordance with IFRS stipulate standard accounting and valuation principles for the German and foreign companies included in the consolidated financial statements. In addition, we impose detailed and formalised requirements for the reporting of the consolidated companies. New external accounting regulations are analysed promptly in terms of their effects and, if these are relevant to us, are implemented in the accounting processes through internal regulations. The accounting and valuation regulations for the separate financial statements of K+S AKTIENGESELLSCHAFT and its domestic subsidiaries are documented in additional directives and accounting instructions, in accordance with the German Commercial Code (HGB) and supplementary provisions.

We have a Group-wide IT platform for all significant companies, a standard Group accounts structure and automatically standardised accounting processes. This standardisation ensures the proper and timely reporting of key business transactions. Binding regulations are in place for additional manual recording of accounting transactions. Valuations on the balance sheet, such as the review of the impairment of goodwill or the calculation of mining obligations, are calculated by internal Group experts. In individual cases, such as the valuation of pension obligations, the valuation is calculated by external experts.

To prepare the consolidated financial statements of the K+S GROUP, the financial statements of those companies whose accounts are kept on the K+S GROUP IT platform are imported directly into an IT consolidation system. In the case of the remaining consolidated companies, the financial statements data are transferred via an online interface. The validity of the financial statements data transferred is reviewed by means of system controls. In addition, the financial statements submitted by the consolidated companies are reviewed centrally with due consideration being given to the reports prepared by the auditors. Information relevant to the consolidation process is automatically derived and obtained in a formalised manner by the system, thus ensuring that intragroup transactions are properly and completely eliminated. All consolidation processes for the preparation of the consolidated financial statements are carried out and documented in the IT consolidation system. The components of the consolidated financial statements, including key information for the Notes, are developed from this.

The annual financial statements of companies subject to mandatory audit and the consolidated financial statements are audited by independent auditors, in addition to the existing internal monitoring. This is the key process-independent monitoring measure with regard to the Group accounting process. The annual financial statements of those German companies not subject to mandatory audits are audited by the internal audit department. Moreover, the independent auditor audits the reliability of the risk management system in the narrow sense.

The 2015 audit was conducted by DELOITTE & TOUCHE GMBH, Hanover. For the first time WP/StB Dr Christian Meyer was the directly responsible auditor. WP/StB Heiner Kompenhans has been in charge of the entire mandate as the responsible partner. DELOITTE & TOUCHE GMBH, Hanover, which issued a declaration of independence pursuant to Item 7.2.1 of the German Corporate Governance Code, or respective predecessor companies, have conducted the audits since 1972. The auditor is appointed by the Supervisory Board, acting on a recommendation submitted by the Audit Committee. The Chairman of the Supervisory Board and the Chairman of the Audit Committee are advised by the auditor without delay of any reasons giving rise to exclusion or partiality that may arise during the audit if these cannot be eliminated immediately. Furthermore, the auditor should immediately advise of any findings and occurrences of relevance to the tasks of the Supervisory Board that may arise during the audit. In addition, the auditor is required to advise the Supervisory Board or make an appropriate note in the audit report if, during the course of the audit, he identifies any facts suggesting incompatibility with the declaration on conformity issued by the Board of Executive Directors and the Supervisory Board in accordance with Section 161 of the German Stock Corporation Act (AktG).

INFORMATION IN ACCORDANCE WITH SECTION 289 (4) AND SECTION 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB) AS WELL AS EXPLANATORY REPORT OF THE BOARD OF EXECUTIVE DIRECTORS IN ACCORDANCE WITH SECTION 176 (1) (1) OF THE GERMAN STOCK CORPORATION ACT (AKTG)

ITEM 1: COMPOSITION OF SUBSCRIBED CAPITAL

The share capital is € 191,400,000 and is divided into 191,400,000 shares. The registered shares of the Company are no-par value shares. There are no other classes of shares.

ITEM 2: RESTRICTIONS ON VOTING RIGHTS OR ON THE TRANSFER OF SHARES

Each share carries one vote; no restrictions apply to voting rights or to the transfer of shares. The Board of Executive Directors is not aware of any relevant shareholder agreements.

ITEM 3: DIRECT OR INDIRECT INTERESTS IN THE CAPITAL EXCEEDING 10%

No direct or indirect interests in the share capital of more than 10% were reported to us.

ITEM 4: HOLDERS OF SHARES WITH SPECIAL RIGHTS CONFERRING CONTROL POWERS

There are no shares with special rights conferring control powers.

ITEM 5: VOTING RIGHT CONTROL IN THE EVENT OF EMPLOYEE OWNERSHIP OF CAPITAL

No voting right controls apply.

ITEM 6: STATUTORY REGULATIONS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and dismissal of members of the Board of Executive Directors are governed by Section 84 of the German Stock Corporation Act (AktG). Accordingly, the members of the Board of Executive Directors are appointed by the Supervisory Board for a maximum term of five years. In accordance with Article 5 of the Articles of Association, the Board of Executive Directors of K+S AKTIENGESELLSCHAFT has at least two members. The number of members is determined by the Supervisory Board. The Supervisory Board can appoint a member of the Board of Executive Directors as chairman of the Board of Executive Directors. The Supervisory Board can rescind the appointment of a member of the Board of Executive Directors or the appointment of the chairman of the Board of Executive Directors for good cause.

The Annual General Meeting can pass amendments to the Articles of Association with a simple majority of the share capital represented (Section 179 [2] of the German Stock Corporation Act [AktG] in conjunction with Article 17 (2) of the Articles of Association), unless statutory provisions require a larger majority.

ITEM 7: BOARD OF EXECUTIVE DIRECTORS' POWERS REGARDING THE OPTION TO ISSUE OR BUY BACK SHARES

AUTHORISATION TO CREATE NEW AUTHORISED CAPITAL WITH THE OPTION TO EXCLUDE THE SHAREHOLDERS' RIGHT TO SUBSCRIBE

The Board of Executive Directors is authorised to increase the Company's share capital, with the consent of the Supervisory Board, by a total of € 19,140,000.00, in one lump sum or several partial amounts at different times, by issuing a maximum of 19,140,000 new, registered shares (authorised capital) in return for cash and/or non-cash contributions during the period to 11 May 2020. Shareholders are generally offered the right to subscribe when increasing capital from authorised capital. The new shares can be acquired by a financial institution determined by the Board of Executive Directors with the obligation that they must be offered to the shareholders for subscription (indirect subscription right).

/ FULL WORDING OF THE AUTHORISING RESOLUTION OF 12 MAY 2015: see Item 7 of the Convocation of the 2015 Annual General Meeting (www.k-plus-s.com/en/pdf/2015/hv_einladung.pdf)

The Board of Executive Directors is authorised, with the consent of the Supervisory Board, to exclude the shareholders' statutory right to subscribe up to a proportionate amount of the share capital of € 19,140,000.00 (corresponding to 19,140,000 no-par value shares) in the following cases:

+ For fractional amounts that arise as a consequence of the right to subscribe.
+ In the case of capital increases in return for cash contributions up to a proportionate amount of the share capital of € 19,140,000.00 (corresponding to 19,140,000 no-par value shares), if the issue price of the new shares is not significantly less than the stock exchange price of already listed shares of the same type and structure on the date when the issue price is finally agreed.
+ In the case of capital increases in return for non-cash contributions up to a proportionate amount of the share capital of € 19,140,000.00 (corresponding to 19,140,000 shares), if the new shares are to be used as consideration in the acquisition of an undertaking or an interest in an undertaking by the Company.
+ In order to implement a scrip dividend where the shareholders are asked to offer their dividend claim, in full or in part, as a non-cash contribution in return for new shares in the Company.

The Board of Executive Directors may only make use of the authorisations described above to exclude the right to subscribe insofar as the proportionate amount of the total shares issued with exclusion of the right to subscribe does not exceed 10 % of the share capital (10 % ceiling), neither on the date of the resolution regarding this authorisation nor on the date it is exercised. If other authorisations to issue or sell Company shares or to issue rights are exercised, which enable or obligate the acquisition of Company shares, during the term of the authorised capital until its utilisation thus excluding the right to subscribe, this must be credited against the 10 % ceiling referred to above.

The Board of Executive Directors is authorised to determine the further details of capital increases from the authorised capital with the consent of the Supervisory Board.

As a result of the option granted by the Board of Executive Directors to implement a capital increase with limited exclusion of the right to subscribe with the approval of the Supervisory Board by 11 May 2020 (authorised capital), the Company has been given a widely used instrument with the help of which, for example, fast and flexible use can be made of the opportunities to make acquisitions. The Board of Executive Directors may only make use of this option if there is an appropriate ratio between the value of the new shares and the value of the consideration.

AUTHORISATION TO ISSUE CONVERTIBLE BONDS AND BONDS WITH WARRANTS WITH THE OPTION TO EXCLUDE THE SHAREHOLDERS' RIGHT TO SUBSCRIBE AND SIMULTANEOUS CREATION OF CONDITIONAL CAPITAL

Authorisation to Issue Convertible Bonds and Bonds with Warrants

The Board of Executive Directors is authorised until 11 May 2020, with the consent of the Supervisory Board, to issue bearer and/or registered convertible bonds and/or warrant-linked bonds ('bonds') on one or more occasions, with an aggregate nominal value of up to € 750,000,000.00 with or without a limited term, and to issue or impose conversion rights or obligations on the holders or creditors of bonds, or warrants on shares in the Company with a proportionate amount of the share capital of up to a total of € 19,140,000.00, as set out in greater detail in the terms and conditions of the convertible or warrant-linked bonds. The proportionate amount of the share capital represented by the shares to be issued upon conversion may not exceed the nominal amount of the bonds.

/ FULL WORDING OF THE AUTHORISING RESOLUTION OF 12 MAY 2015: see Item 8 of the Convocation of the 2015 Annual General Meeting (www.k-plus-s.com/en/pdf/2015/hv_einladung.pdf)

In addition to euros, bonds may also be issued in the legal tender of any OECD country, limited to the corresponding euro counter-value at the time of issuing the bond. Bonds may also be issued by Group companies of the Company; in this case, the Board of Executive Directors is authorised to act as guarantor for the bonds on behalf of the Company and to grant or impose conversion rights or obligations or warrants on shares in the Company to/upon the holders or creditors of such bonds. The bond issues may be subdivided into equivalent debentures in each case.

The Company's shareholders are generally entitled to a right to subscribe to bonds. The bonds can also be acquired by one or more financial institutions with the obligation that they must be offered to the Company's shareholders for subscription.

The Board of Executive Directors is however authorised with the approval of the Supervisory Board to exclude the right to subscribe, in full or in part, in the following cases:

+ If bonds are issued against cash and if the issue price is not substantially lower than the theoretical market value of the bonds calculated in accordance with recognised actuarial methods. However, exclusion of the right to subscribe only applies to bonds with conversion rights or obligations or warrants on shares representing a proportionate amount of the share capital of up to 10 % of the share capital as of the date of the resolution or, if the amount of the share capital is lower at that time, on the date when the authorisation is exercised. The maximum limit of 10 % of the share capital is reduced by the proportionate amount of the share capital attributable to shares issued during this authorisation period in connection with another increase in capital where the right to subscribe is excluded in direct or indirect application of Section 186 (3) (4) of the German Stock Corporation Act (AktG). The maximum limit of 10 % of the share capital is also reduced by the proportionate amount of the share capital attributable to own shares, which are sold by the Company during this authorisation period, where the right to subscribe is excluded in direct or indirect application of Section 186 (3) (4) of the German Stock Corporation Act (AktG).
+ If and insofar as this is necessary in order to grant the bearers of convertible bonds or warrants in respect of shares in the Company or the creditors of convertible bonds provided with conversion obligations, a right to subscribe to the extent to which they would be entitled following the exercising of these rights or the fulfilment of the conversion obligations.
+ In order to exempt fractional amounts from the shareholders' right to subscribe, which are a consequence of the subscription ratio.
+ Insofar as the bonds are issued in connection with the acquisition of undertakings, interests in undertakings or parts of undertakings in exchange for non-cash considerations, provided the value of the consideration is adequate in relation to the value of the bonds.

The authorisations described above to exclude the right to subscribe only apply to bonds with conversion rights or obligations or warrants on shares representing a proportionate amount of the share capital of up to 10 % of the share capital as of the date of the resolution or, if the amount of the share capital is lower at that time, on the date when the authorisation is exercised.

If bonds with conversion rights are issued, creditors may exchange their bonds against shares in the Company in accordance with the bond terms and conditions. The exchange ratio is calculated by dividing the nominal amount of a bond by the conversion price determined for a new share in the Company. The exchange ratio can also be calculated by dividing the issue price of a bond that is below the nominal amount by the conversion price determined for a new share in the Company. The exchange ratio can be rounded up or down to the next whole number in each case; a premium to be paid in cash can also be determined. Moreover, provision can be made for fractional amounts to be combined and/or settled in cash. The proportionate amount of the share capital represented by the shares to be issued per bond may not exceed the nominal amount of the bond.

If warrant-linked bonds are issued, one or more warrants will be attached to each bond, which authorise the holder to subscribe to shares in the Company, as set out in greater detail in the warrant terms and conditions to be defined by the Board of Executive Directors. The proportionate amount of the share capital represented by the shares to be issued per bond may not exceed the nominal amount of the warrant-linked bond.

The respective conversion or option price for a share in the Company (subscription price) must correspond to either (a) at least 80 % of the weighted average stock price of K+S shares in the XETRA computer trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange during the last ten trading days prior to the day on which the Board of Executive Directors adopts the resolution to issue the convertible or warrant-linked bonds, or (b) at least 80 % of the weighted average stock price of K+S shares in the XETRA computer trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange during the days on which subscription rights are traded on the Frankfurt Stock Exchange, with the exception of the last two days of subscription rights trading.

For warrant-linked bonds or bonds with conversion rights, or obligations, the warrants or conversion rights, or obligations, can be adjusted to preserve value in the event of a dilution in the value of the warrants or conversion rights, or obligations, in accordance with the bond terms and conditions, notwithstanding Section 9 (1) of the German Stock Corporation Act (AktG), insofar as the adjustment is not already stipulated by law. Moreover, the bond terms and conditions may make provision for a value-preserving adjustment of the warrants or conversion rights/obligations in the event of a capital reduction or other extraordinary measures or events (such as a third party obtaining control, unusually large dividends).

The bond terms and conditions may also make provision for a conversion obligation at the end of the term (or an earlier date) or for the Company's right to grant shares in the Company, in full or in part, in lieu of payment of the amount due to the creditors of the bonds at the time of final maturity of bonds with conversion rights or warrants (this also includes maturity on account of termination). The bond terms and conditions may also stipulate in each case at the Company's discretion that instead of being converted into new shares from conditional capital, warrant-linked or convertible bonds may be converted into existing shares in the Company or that the warrant can be fulfilled by providing such shares.

Finally, the bond terms and conditions may make the provision that in the event of a conversion, the Company will not grant shares in the Company to the party entitled to the conversion, but will make a payment, which for the number of shares to be supplied alternatively, corresponds to the weighted average stock exchange price of K+S shares in the XETRA computer trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange during the ten trading days following the declaration of the conversion or exercise of the warrant.

The Board of Executive Directors is authorised, in the context of the requirements described above, with the approval of the Supervisory Board, to define the further details of the issue and structure of the convertible and/or warrant-linked bonds, particularly interest rate, issue price, term, denomination, dilution protection, and the conversion or warrant period or to define these in consultation with the corporate bodies of the holding companies issuing the convertible and/or warrant-linked bonds.

Conditional Capital Increase

The share capital is increased by up to € 19,140,000.00 by issuing up to 19,140,000 bearer shares with no-par value (conditional capital). The purpose of the conditional capital increase is to grant no-par value shares to the holders or creditors of bonds, which are issued by the Company or Group companies of the Company in accordance with the above authorisation before 11 May 2020. New no-par value shares will be issued at the conversion or option price to be determined in each case as described above.

The conditional capital increase will be implemented only insofar as the holders or creditors of conversion rights or warrants from bonds, which were issued by the Company or a Group company before 11 May 2020 based on the authorising resolution of the Annual General Meeting held on 12 May 2015, exercise their conversion rights or warrants, or as the holders or creditors of the convertible bonds with conversion obligation, which were issued by the Company or a Group company before 11 May 2020 based on the authorising resolution of the Annual General Meeting held on 12 May 2015, who are required to convert, fulfil their conversion obligation, or if the Company elects before 11 May 2020, based on the authorising resolution of 12 May 2015, to grant shares in the Company, in full or in part, in lieu of payment of the amount due, and if no cash settlement is made or own shares are used to settle such claims. New no-par value shares are eligible to participate in the profits from the beginning of the financial year during which they are created through the exercise of conversion rights or warrants or through the fulfilment of conversion obligations; in deviation from this, the Board of Executive Directors may determine, with the consent of the Supervisory Board, that new no-par value shares are eligible to participate in the profits from the beginning of the financial year, in respect of which the Annual General Meeting has not yet adopted a resolution regarding the appropriation of the balance sheet profit at the time when the conversion rights or warrants are exercised or the conversion obligations are fulfilled. The Board of Executive Directors is authorised with the consent of the Supervisory Board to determine the additional content of share rights and further details of the implementation of a conditional capital increase.

In addition to the traditional options for raising outside and equity capital, issuing convertible bonds and/or warrant-linked bonds can also provide an opportunity to take advantage of attractive financing alternatives on the capital markets depending on the market situation. The Board of Executive Directors believes that it is in the Company's interests that this financing option is also available to the Company. Issuing convertible bonds and/or warrant-linked bonds makes it possible to raise capital under attractive conditions. The conversion and/or option premiums achieved benefit the Company's capital base, thereby enabling it to take advantage of more favourable financing opportunities. The other possibility provided for, in addition to the granting of conversion rights and/or warrants, to create conversion obligations, widens the scope for structuring this financing instrument. The authorisation provides the Company with the necessary flexibility to place the bonds itself or through direct or indirect holding companies. The option to exclude the right to subscribe allows the Company to make rapid use of advantageous stock exchange situations and to place bonds on the market quickly and flexibly under attractive conditions.

AUTHORISATION TO ACQUIRE AND USE OWN SHARES WITH THE OPTION TO EXCLUDE SHAREHOLDERS' RIGHT TO SUBSCRIBE

The Board of Executive Directors is authorised to acquire own shares representing no more than 10 % of the total no-par value shares comprising the share capital of K+S AKTIENGESELLSCHAFT by 11 May 2020. At no time may the Company hold more than 10 % of the total number of no-par value shares comprising its share capital. Acquisition will be made via the stock exchange by means of a public offer to buy addressed to all shareholders or by way of a public call to shareholders to submit offers for sale. In the event of a purchase effected on a stock exchange, the purchase price per share (excluding acquisition costs) must not exceed or undercut the relevant stock exchange price by more than 10 %; the relevant stock exchange price will be the price of the K+S share in the XETRA computerised trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange, determined by the opening auction on the day of purchase. In the event of a purchase by means of an offer to buy addressed to all shareholders, the purchase price offered per share (excluding acquisition costs) must not exceed or undercut the relevant stock exchange price by more than 10%; the relevant stock exchange price will be the weighted average stock exchange price of K+S shares in the XETRA computer trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange during the last ten trading days prior to the publication of the offer to buy. In the event of a call to shareholders to submit offers for sale, the purchase price offered per share (excluding acquisition costs) must not exceed or undercut the relevant stock exchange price by more than 10 %; the relevant stock exchange price will be the weighted average stock exchange price of K+S shares in the XETRA computer trading system (or any functionally comparable successor system replacing it) at the Frankfurt Stock Exchange during the last ten trading days prior to the publication of the call to shareholders to submit offers for sale. In the event of acquisition by means of a public offer to buy addressed to all shareholders or by way of a public call to shareholders to submit offers for sale, the volume of the offer or call can be limited. If the overall subscription to this offer or the offers for sale exceed this volume, shares must be acquired on allocation basis. Provision may be made for preferential acceptance of small quantities of up to 100 shares offered for sale per shareholder.

/ FULL WORDING OF THE AUTHORISING RESOLUTION OF 12 MAY 2015: see Item 9 of the Convocation of the 2015 Annual General Meeting (www.k-plus-s.com/en/pdf/2015/hv_einladung.pdf)

Furthermore, the Board of Executive Directors is authorised, with the consent of the Supervisory Board, to sell shares in the Company, which are or were acquired based on the authorisation above or authorisation previously granted by the Annual General Meeting pursuant to Section 71 (1) (8) of the German Stock Corporation Act (AktG), on the stock exchange or via a public offer addressed to all shareholders. In the following cases, shares may be disposed of by other means and thus with the exclusion of the shareholders' right to subscribe:

+ Disposal against payment of a cash sum that is not significantly below the relevant stock exchange price;
+ Issue of shares as consideration for the purpose of acquiring undertakings, parts of undertakings or interests in undertakings;
+ Servicing of convertible bonds and bonds with warrants, which have been issued on the basis of authorisation given by the Annual General Meeting.

The authorisation to exclude the right to subscribe applies in respect of all shares representing a proportionate amount of the share capital of up to 10 % of the share capital when the resolution is adopted or if the amount of the share capital is lower at that time, on the date when the authorisation is exercised. If use is made of other authorisations to issue or sell Company shares or to issue rights, which enable or obligate the acquisition of Company shares, during the term of this authorisation to acquire own shares, thus excluding the right to subscribe, the total number of shares issued or sold where the right to subscribe is excluded must not exceed 10 % of the share capital.

Finally, the Board of Executive Directors is authorised, with the consent of the Supervisory Board, to withdraw shares in the Company from circulation, which are or were acquired based on the authorisation above or authorisation previously granted by the Annual General Meeting pursuant to Section 71 (1) (8) of the German Stock Corporation Act (AktG), without the Annual General Meeting having to pass a further resolution on such withdrawal. Shares must be withdrawn from circulation in accordance with Section 237 (3) (3) of the German Stock Corporation Act (AktG) without a capital reduction in such a way that withdrawal results in an increase in the proportion of remaining no-par value shares in the share capital pursuant to Section 8 (3) of the German Stock Corporation Act (AktG). The Board of Executive Directors is authorised pursuant to Section 237 (3) (3) Clause 2 to adjust the number of shares indicated in the Articles of Association.

The authorisations to purchase own shares as well as to dispose of them and withdraw them from circulation may be exercised, in full or in part, each time and on several occasions in the latter case. The authorisation granted by the Annual General Meeting to the Board of Executive Directors to purchase a limited number of own shares in the Company is a common instrument available in many companies. The ability to resell own shares, puts the Company in a position to, for example, gain long-term investors in Germany and abroad or to finance acquisitions flexibly. Moreover, it will also enable the Company to use shares for servicing convertible and warrant-linked bonds. It may be advisable to use own shares, in full or in part, instead of new shares from a capital increase to fulfil conversion rights or warrants. Using own shares rules out any dilution of shareholders' interests that would occur if conditional capital were used. The continued option to withdraw own shares from circulation is also a common alternative, the use of which is in the interest of the Company and its shareholders.

ITEM 8: SIGNIFICANT AGREEMENTS THAT APPLY IN THE EVENT OF A CHANGE OF CONTROL RESULTING FROM A TAKEOVER BID

In 2013, K+S concluded a syndicated credit line for € 1 billion. All loans drawn against this line of credit will become due and payable immediately and the entire credit line will become redeemable in accordance with the loan terms and conditions if one person acting alone or more persons acting jointly acquire control over K+S AKTIENGESELLSCHAFT. Also in the case of the three bonds issued by K+S AKTIENGESELLSCHAFT in 2012 and 2013, the bond holders have the right, in the event of a change of control, to terminate debentures that have not yet been redeemed.

The provisions in credit agreements and bond conditions agreed in the event of a change of control are routine and reasonable from the perspective of protecting the legitimate interests of the creditors.

ITEM 9: AGREEMENTS CONCLUDED WITH THE BOARD OF EXECUTIVE DIRECTORS OR EMPLOYEES CONCERNING COMPENSATION IN THE EVENT OF A TAKEOVER BID

Agreements of this type exist with the members of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT and are explained in detail in the Remuneration Report on page 121. The programme with a long-term incentive character (LTI), introduced in 2010 for the Board of Executive Directors and for senior management, includes no compensation agreements.

The existing compensation agreements with the members of the Board of Executive Directors take into appropriate consideration both the legitimate interests of those concerned and of the Company and its shareholders.

1.3 CORPORATE STRATEGY

VISION AND MISSION

Our vision and mission provide the framework for our business operations and for the strategic orientation of the Group. They are intended to explain and convey the basis for our thinking and actions to our employees, shareholders, lenders, customers, suppliers and the general public.

/ **MORE INFORMATION:** see section 'Vision and Mission', page 62.

GROWTH STRATEGY

In 2015, a recession in the economies of important emerging market countries, low soft commodities prices and an increasingly competitive market environment in the Potash and Magnesium Products business unit presented the K+S GROUP with major challenges. Our strong position in Europe, our specialty products in the Potash and Magnesium Products business unit and the growth-oriented Salt business as well as the consistent implementation of our programme to increase efficiency and reduce costs, 'Fit for the Future' allowed us to hold our ground well. The two-pillar strategy we adopted has paid off. We will continue to pursue this strategy consistently over the next few years.

We want to continue to grow in both pillars – programmes like 'Potash 2.0' and 'Salt 2020' – will help with this. As an investment in the future, the new potash production in Canada (Legacy Project) will make a considerable contribution of the growth of the K+S GROUP. The sustainable growth of enterprise value in the form of a premium on the cost of capital before taxes of at least 15 % is central to our financial objectives. Firstly, we have also set an ambitious mid-term target with regard to Group EBITDA. In spite of the current challenges, the mid-term and long-term growth trends remain intact. Based on these assumptions, a Group-EBITDA of € 1.6 billion by 2020 (2015: € 1.1 billion) continues to be our target. The individual components of the K+S growth strategy are shown in figure 1.3.1 and subsequently discussed. / FIG: 1.3.1

DIFFERENTIATION AND SUSTAINABLE MARGIN GROWTH THROUGH SPECIALISATION

K+S aims to expand market positions in its business units, in particular through marketing its diverse specialty products. The refinement strategy makes it possible to achieve higher margins in the Potash and Magnesium Products and Salt business units and enables us to be more resilient to market fluctuations.

/ DETAILED INFORMATION ABOUT OUR MARKET POSITION: page 28

COMPONENTS OF THE K+S GROWTH STRATEGY FIG: 1.3.1

Differentiation and Sustainable Margin Growth through Specialisation

Expansion of Strategic Business Units through Acquisitions and Coorporations

Expansion of a Balanced Regional Portfolio

Setting Standards for Quality, Reliability and Service

Increasing Efficiency and Exploiting Synergies

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 here is the consistent pursuit of cost-cutting and flexibilisation initiatives throughout all process chains. For this reason, in 2013 we launched the 'Fit for the Future' programme, which is intended to make a lasting contribution towards improving our cost and organisational structures. Our aim is to make total cost savings of € 500 million between 2014 and 2016 compared with budgets for this period. The measures already implemented achieved just under two-thirds of the savings by the end of the year under review.

The broadly comparable mining methods make the realisation of further synergies between the Potash and Magnesium Products and Salt business units possible regarding the exchange of technical, geological and logistics know-how as well as economies of scale in the procurement of machines and auxiliary materials. A project was launched in 2015 to make joint recourse to existing resources also on the sales and distribution side in selected regions and enable a market presence across the business units (cross-selling).

EXPANSION OF A BALANCED REGIONAL PORTFOLIO

Worldwide, both potash and salt markets are characterised by seasonal and regional fluctuations in demand. K+S is aiming for a balanced regional portfolio, which should enable the offsetting of weather-related fluctuations and cushioning of cyclical market trends.

SETTING OF STANDARDS FOR QUALITY, RELIABILITY AND SERVICE

K+S goal is to be the 'go-to' partner for its customers in the market. Consistent customer orientation and high product quality are essential requirements in this respect. Individual advice to customers makes it possible to identify and offer needs-based solutions.

STRATEGIC DIRECTION OF THE BUSINESS UNITS

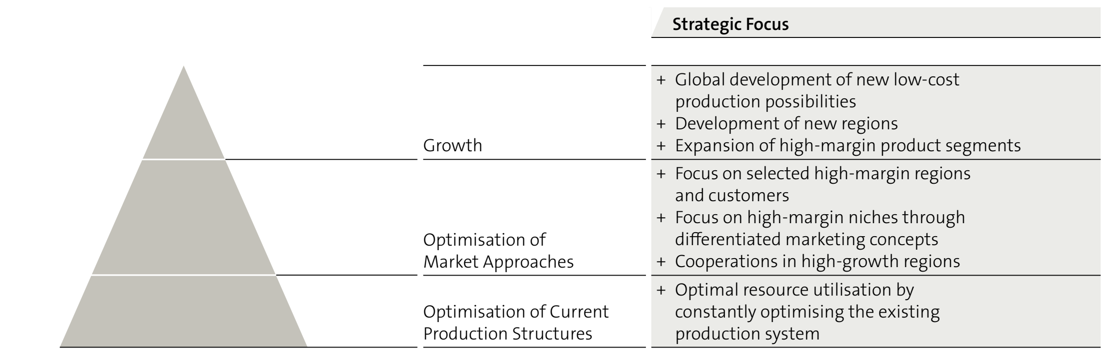
With the Potash and Magnesium Products and Salt business units, K+S has two complementary areas, linked by synergies in many parts of the value chain, with attractive growth prospects at its disposal.

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

POTASH AND MAGNESIUM PRODUCTS

The Potash and Magnesium Products business unit is seeking to attain a balanced presence in the important agricultural regions of Europe, South America, North America and Asia to balance seasonal differences and reduce cyclical regional demand effects. Expanding the market position in important overseas regions and tapping into new attractive sales areas in future growth regions will therefore be pursued.

STRATEGY POTASH AND MAGNESIUM PRODUCTS FIG: 1.3.2



Our Legacy Project in the Canadian province of Saskatchewan will make a key contribution to this. We expect commissioning in the summer of this year. Subsequent to this, annual production capacity is due to be gradually expanded to 2.86 million tonnes in 2023. More than 300 permanent jobs for potash production will be created on completion of the construction phase. The Legacy Project will supplement the existing German production network of K+S with an important North American site.

Moreover, the Potash and Magnesium Products business unit is pursuing a further increase in the share of 'specialty products' in the portfolio. To increase the value contribution and to become more independent from the standard potash (MOP) market, high-margin product segments are being expanded further and profitable niche areas occupied.

The optimisation of production structures is extremely significant for us. We want to make the best possible use of the resources available to us. K+S has also agreed on key points with the Hessian Ministry for the Environment for a Four-Phase Plan for the permanent disposal of saline wastewater in the Werra potash district, which includes a commitment period until 2075.

/ **FURTHER INFORMATIONS:** section ‚Environment', page 43

As an addition to the Group-wide 'Fit for the Future' project, the 'Potash 2.0' project was launched in the Potash and Magnesium Products business unit. To boost competitiveness, the programme aims to further develop business processes and introduce a new structural and procedural organisation along with cost savings. The project outcomes are currently being implemented.

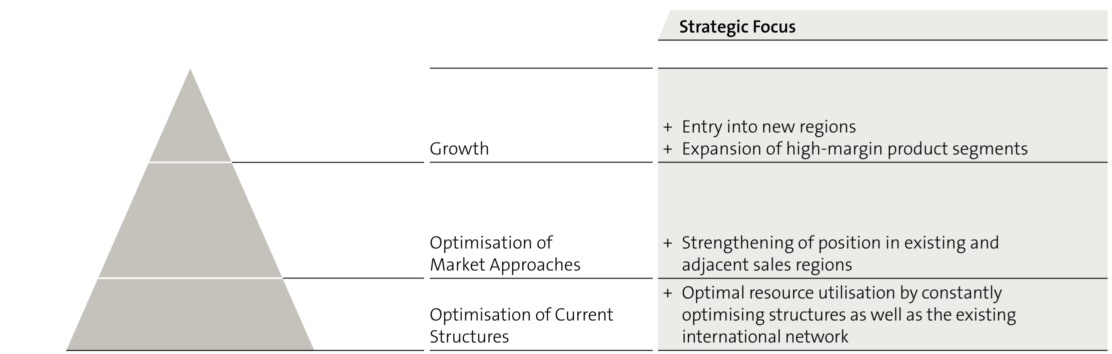
The strategic fields of action arising for the Potash and Magnesium Products business unit are as follows:

/ **FIG: 1.3.2**

SALT

The Salt business unit particularly aims to achieve further growth in selected regions and product segments. Business and plant processes are being optimised at our European subsidiary, ESCO, and organisational structures adapted in order to be able to respond more flexibly to changing market conditions. As part of its growth strategy, ESCO is increasing production capacities for rock salt in the German rock salt mines. Moreover, ESCO relies on growth in high-margin segments, such as pharmaceutical salts. These measures

STRATEGY SALT FIG: 1.3.3



will ensure an increase in competitiveness in the long term.

In North America, an important strategic objective is the consolidation of business in salt products, which are not attributable to the de-icing salt business, in order to arrange the overall portfolio in a more robust manner in the face of fluctuations in the weather. The consistent implementation of our premium brand strategy in the US and Canadian consumer business supports this aim as well as distinct alignment towards service and quality. A further focus lies in the achievement of ambitious effectiveness and efficiency targets through consolidation and improved use of our North American production and distribution network. In 2015, for example, the standardised optimisation of all goods streams in the network as well as the re-tendering procedure for the entire North American transport business contributed to a significant reduction in transport costs accompanied by a simultaneous increase in service quality. For 2016 and beyond we are planning a further significant increase in profitability, inter alia by gradually consolidating our production and distribution sites. The implementation of the 'SCORE' initiative aims at increases in efficiency and greater product availability by optimising plant processes across all production sites. In addition to the measures referred to above, we also pursue the target of optimum use of the supply potential of the global K+S production network, particularly in the de-icing salt and salt for chemical use business.

In Latin America, the introduction of the retail food grade salt brands, LOBOS and BIOSAL in Peru, which began in 2014, continued consistently in 2015. Sales volumes were continually increased during the course of the year with active support from advertising campaigns. The further expansion of this business as well as optimisation of the logistics chain are the focus for the next few years in order to secure further growth potential in this region.

In addition, the Salt business unit aims to advance its expansion into Asia. We intend to increase deliveries of salt for chemical industry applications and establish MORTON SALT in selected regions and segments. On-site personnel should allow not only the achievement of the strategic goal of increasing sales volumes and strengthening customer loyalty in the product and customer segments already served, but also the tapping of new segments.

Our 'Salt 2020' strategy, which combines the initiatives previously mentioned, is thus gaining further momentum. We are well on the way to our target of increasing the operating earnings (EBIT I) of the Salt business unit based on an average winter to over € 250 million by 2020. We exceeded this figure in 2015 on account of the good winter in North America. An example of further growth is the technically innovative application of high-quality salts from our deposits in north Chile for the copper mining industry. 'Copper leaching' is the chemical process for extracting the copper ore from the mined raw ore, which involves the use of salt. Following the completion of pilot projects, which provided impressive substantiation of the potential, other copper mines are identified as customers for 2016 and 2017. K+S aims to develop its leading role in this segment as a copper mining partner.

We see the following strategic fields of action for the Salt business unit: / FIG: 1.3.3

STRATEGIC FINANCING MEASURES

Essentially, we pursue the following goals with our financial measures:

+ Ensuring solvency at all times
+ Ensuring a balanced capital structure
+ Limiting refinancing risks through diversification of financing sources and instruments as well as the maturity profile
+ Cost optimisation through capital procurement on sustainably favourable terms

We extended our credit line of € 1 billion by one year until June 2020 during the year under review as part of this objective. We also have a total of three bonds with a volume of € 1.5 billion outstanding. This liquidity supply, other liquidity and future cash flows enable us to secure financing for general company purposes and the Legacy Project.

Liquidity is managed by the central treasury department. We strive for a constant liquidity reserve for the K+S GROUP of at least € 300 million. In the case of investments, we pursue the goal of optimising the income earned from liquid funds at a balanced risk/opportunity ratio.

/ MORE INFORMATION ABOUT FUTURE FINANCING MEASURES can be found in the 'Forecast Report', page 114.

STRATEGY FOR DEALING WITH SUSTAINABILITY ISSUES

As an international resources company, we think and act long term. For us, sustainable development means future viability. We seek to attain sustainable economic success while considering the social and ecological aspects that are tied to our business model. We systematically identify and assess relevant issues and social trends early on in order to incorporate them into our management processes and derive measures. As sustainability management is more than the sum of individual issues, it is crucial to consider their interdependence. The identification and evaluation of issues therefore requires regular updating and reviewing in order to include additional components where appropriate. This helps us advance our existing business, seize new business opportunities and minimise risk. We know from experience that sustainable corporate overnance is a worthwhile pursuit.

/ MORE INFORMATION ON SUSTAINABILITY MANAGEMENT: section 'Governance', page 51

IDENTIFICATION

An essential instrument for identifying relevant issues and social trends is the exchange with our stakeholders, whether individuals, groups of people or organisations. This commitment is not an end in itself. Rather it helps increase understanding of a complex environment, learn about new trends that are relevant to our business and thus shape business development.

SELECTED STAKEHOLDER DIALOGUES

We treat our employees, business partners and other stakeholders with respect and fairness. Depending on the occasion, we share views and experiences with representatives of the various relevant groups in order to make our own positions and points of view clear, but also to understand the concerns of others, constantly reviewing our operations and, if necessary, developing alternative solutions.

/ MORE INFORMATION: www.k-plus-s.com/en/handlungsfelder/stakeholderdialog.html

Employees
We are in constant dialogue with our employees. We hold regular employee meetings at many locations. In 2015, we also conducted a worldwide employee survey for the second time.

/ MORE INFORMATION: see section 'Employees', page 36

Trade Unions and Social Partners
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. The social partners represent their interests in numerous negotiations and on boards.

/ MORE INFORMATION: see section 'Employees', page 36

Business Partners
The dialogue with our customers helps us to better identify their needs, allowing us to target products and services to meet those needs and incorporate new trends. Along with face-to-face meetings or attendance at trade fairs, we conduct satisfaction analyses, for example, to provide us with practical starting points for continued improvement. Customer surveys on sustainability issues help us learn which issues are of particular interest to our business partners.

Shareholders/Investors/Analysts
We receive suggestions from capital market participants at numerous roadshows and conferences.

/ MORE INFORMATION: www.k-plus-s.com/en/investor-relations

Policy Makers and Administration
We are in dialogue with representatives from governments, representatives of administrations and parliamentarians at both a national and international level. We maintain a public policy office in Berlin so that we have a direct contact point in the German capital.

Local Communities at Sites
It is important to us to be good neighbours in the communities and regions where we are located. For this reason we foster an in-depth dialogue with the respective local governments and residents.

ASSOCIATIONS/ORGANISATIONS
In selected associations/organisations, in which some K+S representatives have a leading role, or are members of committees, projects or working groups we continue a dialogue on sustainability issues:

+ ASSOCIATION DES PRODUCTEURS EUROPÉENS DE POTASSE (APEP)
+ BUNDESVERBAND DER DEUTSCHEN INDUSTRIE E.V. (BDI) via the VERBAND DER KALI- UND SALZINDUSTRIE E.V. (VKS)
+ BUNDESVEREINIGUNG DER DEUTSCHEN ARBEITGEBERVERBÄNDE (BDA) via the VERBAND DER KALI- UND SALZINDUSTRIE E.V. (VKS)
+ EUROPEAN ASSOCIATION OF MINING INDUSTRIES, METAL ORES & INDUSTRIAL MINERALS (EUROMINES)
+ EUROPEAN SALT PRODUCERS' ASSOCIATION (EUSALT)
+ FORUM MODERNE LANDWIRTSCHAFT E.V.
+ INTERNATIONAL FERTILIZER INDUSTRY ASSOCIATION (IFA)
+ INTERNATIONAL PLANT NUTRITION INSTITUTE (IPNI)
+ INDUSTRIEVERBAND AGRAR E.V.
+ DEUTSCHE INITIATIVE FÜR TRANSPARENZ IM ROHSTOFFGEWINNENDEN SEKTOR (D-EITI) (German Extractive Industries Transparency Initiative)
+ SALT INSTITUTE
+ UNITED NATIONS GLOBAL COMPACT
+ VERBAND DER KALI- UND SALZINDUSTRIE E.V. (VKS)
+ WITTENBERG-ZENTRUM FÜR GLOBALE ETHIK E.V.

MEDIA
We keep informed on a daily basis on current reporting about our company and its market environment.

/ MORE INFORMATION: www.k-plus-s.com/en/presse

SUSTAINABILITY RATINGS AND RANKINGS
Our activities and measures on sustainability issues have been rated independently in various sustainability rankings as follows:

/ MORE INFORMATION:
www.cdp.net/CDPResults/CDP-DACH-350-Report-2015-german.pdf (German only)

CDP: In 2015, we achieved a score of 88 out of a 100 assessment points (2014: 93) in Climate Disclosure. K+S was rated band D in the Climate Performance Band (2014: C).

CDP WATER: We took part for the first time in 2015 and were rated band C (Awareness).

/ MORE INFORMATION:
www.cdp.net/CDPResults/CDP-Global-Water-Report-2015.pdf

SUSTAINALYTICS: In 2015, we achieved a total score of 59 (2014: 60).

MSCI ESG RATING: In 2015, we were rated band A.

ASSESSMENT

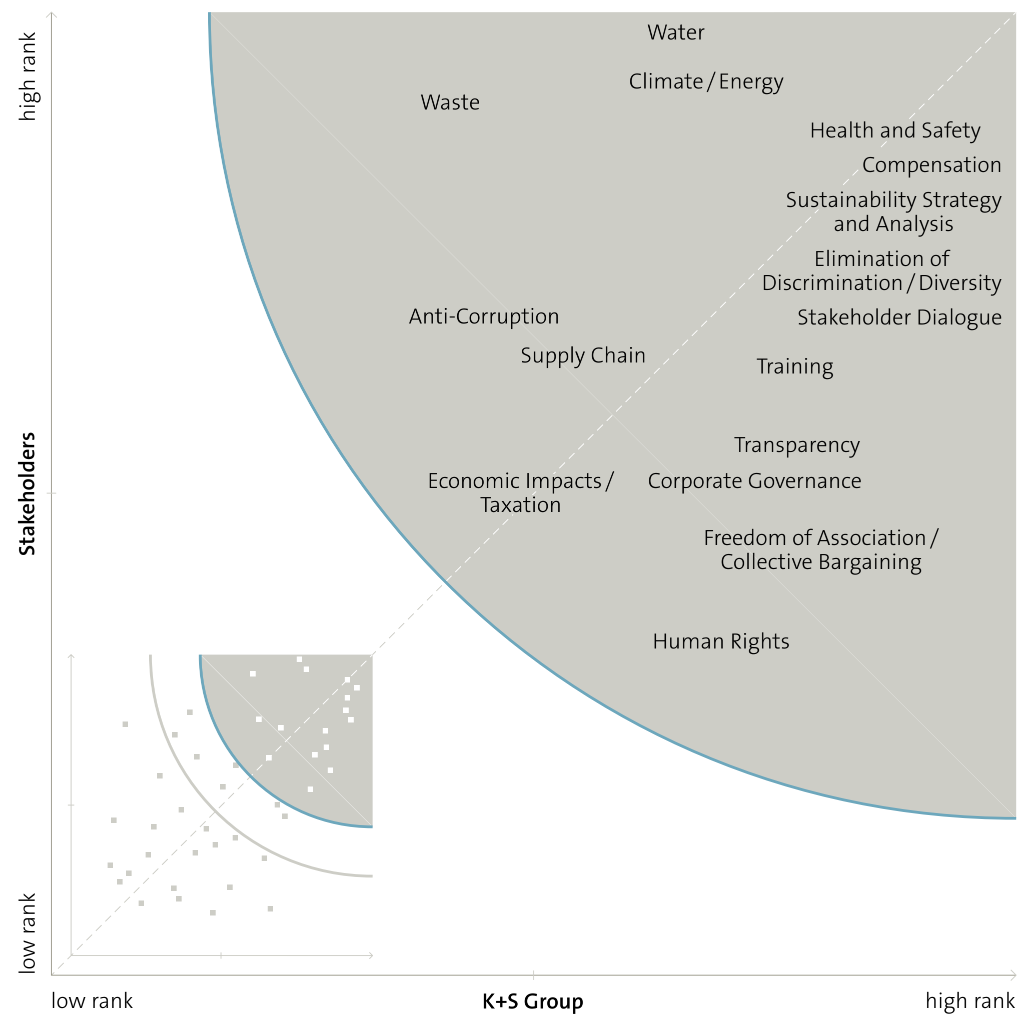
Building on the ongoing dialogue with stakeholders, in which new issues are constantly being identified, we have pursued a specific work plan with the 'Sustainability Roadmap' in order to definitively describe material sustainability issues of the K+S GROUP and assess these through a systematic collaborative process.

/ MORE INFORMATION:
www.k-plus-s.com/en/handlungsfelder/fahrplan.html

MATERIALITY ANALYSIS

In the materiality analysis, material issues were determined from the perspective of stakeholders and the company using various criteria. A large number of issues were examined from both internal and external perspectives. We considered the relevant internationally recognised guidelines for corporate sustainability management. These include the principles of the UNITED NATIONS GLOBAL COMPACT, the OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES, the GUIDANCE ON

MATERIALITY ANALYSIS: INTERNAL AND EXTERNAL VIEWS FIG: 1.3.4



SOCIAL RESPONSIBILITY (DIN ISO 26.000: 2010) and the GUIDELINES OF THE GLOBAL REPORTING INITIATIVE.

The issues with the greatest relevance for the K+S GROUP and its stakeholders have been summarised as follows:

+ Economy and governance focus: Sustainability strategy and analysis, transparency, economic impacts (including taxation), corporate governance, supply chains (including customer health and safety), anti-corruption
+ Social issues / society focus: Dialogue with stakeholders, elimination of discrimination / diversity, fair wages, health and occupational safety, training and continuing education, human rights, freedom of association
+ Environmental focus: Water, waste, energy / climate

The matrix below shows the issues positioned according to their relevance for the K+S GROUP and its stakeholders. All these issues are closely linked to our business activities which are presented in this report. / FIG: 1.3.4

GAP AND PERFORMANCE ANALYSIS

In 2015, we conducted a gap and performance analysis of the issues identified above. We looked closely at the guidelines, processes, structures and indicators for the key issues across the Group and across roles and identified areas where action is needed in relation to some of the important Group-wide issues.

MEASURES

SUSTAINABILITY PROGRAMME 2016 – 2018

Based on the results of the gap and performance analysis we have defined several areas for action across the Group for the period 2016 to 2018. Key ambitions, activities and initiatives in these areas for action are outlined briefly below.

+ Elimination of Discrimination / Diversity: We provide an environment of equal opportunities and reject any kind of discrimination. A project proposal will be developed on the subject of elimination of discrimination / diversity in 2016, which builds on existing voluntary obligations and legal requirements.
+ Health, Occupational Safety: Occupational safety is of key importance to us. This is why we aim to reach the target of 'zero accidents' in all our business activities. Occupational safety should therefore be developed further into a behaviour-based approach.
+ Environment: We strive to keep our environmental impact as low as possible in order to produce in an environmentally sensitive manner whilst maintaining a high level of economic efficiency. Above all, we want to use water and energy efficiently. A comprehensive project is intended for the issues of safety, health and environment. It will deal primarily with the reorganisation of responsibilities in these key topic areas.
+ Human Rights: We respect and support the observance of internationally recognised human rights. We act in accordance with the laws of the countries in which we operate. We reject any form of forced and child labour. A project proposal is to be prepared to document due diligence requirements with respect to human rights across the Group. For this purpose a so-called human rights impact assessment shall be carried out. The procedure serves as a basis to identify actual and potential impacts on human rights, takes account of the insights gained, proposes actions and ensure their implementation.
+ Sustainable Supply Chains: Open and fair collaboration characterises the cooperation with our suppliers and service providers. In the area of 'sustainable supply chains', a common understanding of the current status quo and future requirements from a sustainability perspective should be developed in order to define on this basis how to proceed further. Most important is assessing the extent and intensity of impact in the value chain and determine what kind of risks may occur in association with products, services and business relationships of K+S, including supplier and sub-contractors.

OTHER CORPORATE SUSTAINABILITY ACTIVITIES

In addition to the steps in the Sustainability Roadmap, K+S GROUP or individual Group companies are involved in various activities thereby taking an active role in society.

+ Cooperation in global sustainability initiatives: We want to promote dialogue between various stakeholders, stay up to date and be involved in shaping the international sustainability debate through our involvement in global sustainability initiatives.

+ EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE: In order to make the contribution of Germany's raw material sector transparent and help it achieve greater prominence, we are involved in the German EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE – EITI. Together with other industry representatives, non-profit organisations and policymakers we discuss and shape the implementation of this international standard in Germany and thus support Germany's candidacy as an EITI-compliant country.
  / MORE INFORMATION: www.d-eiti.de/en

+ GLOBAL COMPACT of the UNITED NATIONS: In autumn 2015 K+S signed up to the GLOBAL COMPACT of the UNITED NATIONS. In doing so, K+S underscored its support of the ten principles of the GLOBAL COMPACT in the areas of human rights, labour, environment and anti-corruption. These are already reflected in our core values and principles (Code of Conduct) which are binding for all employees.
  / MORE INFORMATION: www.unglobalcompact.org

+ Growth for Uganda: K+S KALI GMBH is involved together with the SASAKAWA AFRICA ASSOCIATION in the multi-year 'Growth for Uganda' project. In doing so it demonstrates the successful interaction of business interests with simultaneous creation of added value for large sections of the population through professional application advice to local peasant farmers.
  / MORE INFORMATION: see section 'Value Chain', page 24

+ Saline wastewater: K+S KALI GMBH implemented comprehensive and far-reaching plans on the issue of saline wastewater in a package of measures and began with the preparation for the KKF plant (kainite crystallisation flotation plant) as part of the Four Phase Plan in 2015.
  / MORE INFORMATION: see section 'Environment', page 43

+ Employee solidarity: One of our Company's greatest strengths is that we stand together in the best mining tradition. On account of the fact that the licence to continue discharging saline wastewater into the Werra is initially set to expire at the end of 2016, it cannot be ruled out that reduced working hours may be instituted at the plant. The pro rata costs for the increase up to 80 % of the monthly standard net monthly salary will be borne by the Company. As a sign of solidarity, all employees of the K+S GROUP in Germany not covered by a collective wage agreement will share in the pro rata costs of the increase at 90 % or 85 %, respectively, of the colleagues working reduced hours. A reduction in variable pay of five percentage points has therefore been agreed for 2015 in a combined works agreement. This affects additional profit participation through annual bonuses in the case of contracts covered by a collective wage agreement and the variable share of annual salary for company success (STI) in the case of contracts not covered by a collective wage agreement. Executives are free to participate in this solidarity action on a voluntary basis, and the Board of Executive Directors will also make an appropriate contribution.

+ Donations, sponsoring, community activities: In order to increase the attractiveness of the regions in which we are located, we support selected projects in the areas of education, social affairs and culture. The terms and conditions for donations and sponsoring are governed by an internal guideline. K+S does not make any contributions to political parties, including closely connected organisations or persons. A total of € 830,000 in donations were made to benefit scientific and charitable causes in 2015.
  In addition to donations, we also contribute material goods and support our employees to get involved in charity work. We have specific projects supporting refugee aid in Germany. Employees in Germany were able to take up to two weeks' leave on full pay in 2015 to work with aid organisations. A large training room was made available for German language courses at the head office in Kassel. Accommodation was provided at another location. Employees collected clothing and toys for refugee families and set up a room at a reception centre as a play room as part of a volunteer day. Aid organisations were able to purchase urgently required containers at a good price.

Canadian Group company, K+S POTASH CANADA, also permits its employees to get involved in social issues during working hours, for example at a social club or in charitable organisations. Organisations can apply to K+S POTASH CANADA for financial support in areas relating to young people, the environment or encouraging employment.

1.4 ECONOMIC REPORT

OVERVIEW OF THE COURSE OF BUSINESS

MACROECONOMIC ENVIRONMENT

The following discussion on the macroeconomic situation is based on forecasts by the KIEL INSTITUTE FOR THE WORLD ECONOMY and the INTERNATIONAL MONETARY FUND (IMF).

Global economic growth slowed down in 2015. Global gross domestic product rose overall by 3.1 % (2014: 3.4 %). Expansion rates remained low both in the developed economies and in the emerging market countries.

Economic recovery forged ahead in the European Union over the course of the year. There were positive trends in private consumer spending and investment activity, whereas the unemployment rate at the end of the year was still very high at 10 %. The relative weakness of the euro against the US dollar boosted exports.

Following a short-lived recession in the United States at the beginning of the year, better weather conditions and the end of the strike by dock workers on the West Coast led to a slight increase in macroeconomic production. There were significant increases in private consumer spending and corporate investments. The unemployment rate of around 5 % at the end of the year reached its lowest point since 2008.

In the emerging market countries, economic development continued to be restrained. The slower rate of expansion in China, downward trends in local currencies and the significant drop in raw material prices placed a strain on the economy and had a particularly negative effect on growth in the raw material exporting countries.

The industrialised countries continued to pursue expansionary monetary policies. However, the FEDERAL RESERVE BANK (FED) increased its key interest rate in September 2015 to between 0.25 % and 0.5 % (previously: 0 to 0.25 %), whereas the EUROPEAN CENTRAL BANK (ECB) kept its key interest rate at 0.05 %. The ECB has been purchasing a large volume of bonds from eurozone countries since March 2015 in order to reach its self-imposed inflation target of 2 %.

The prices of major soft commodities continued to fall significantly as the result of significantly higher harvest estimates. The DOW JONES-UBS AGRICULTURE SUBINDEX, which tracks trends in the prices of corn, soybeans, sugar, wheat, soy oil, cotton and coffee, fell by around 16 % over the course of the year. / FIG: 1.4.1

The price of Brent Crude fell sharply over the course of the year and was around USD 37 per barrel at the end of December (31 December 2014: USD 57 per barrel). In all probability, the drop in price was due mainly to significant oversupply; the average price for the year as a whole of around USD 54 was more or less half the previous year's figure (2014: USD 99). The NCG Natural Gas-Year Future, which focuses primarily on western and southern Germany, experienced a demand-related fall from around € 22/MWh to € 15/MWh during the year under review. There was a significant decrease in the average price to around € 20/MWh compared with the previous year (2014: € 25/MWh).

Developments on the currency markets were characterised in 2015 by the further dip in the euro in relation to the US dollar. After standing at approx. 1.20 EUR/USD at the beginning of the year, it rose to about 1.09 EUR/USD at the end of December. In terms of the average for the year, the value of the US dollar stood at 1.11 EUR/USD and therefore significantly above the level in the previous year (2014: 1.33 EUR/USD). / FIG: 1.4.2

IMPACT ON K+S

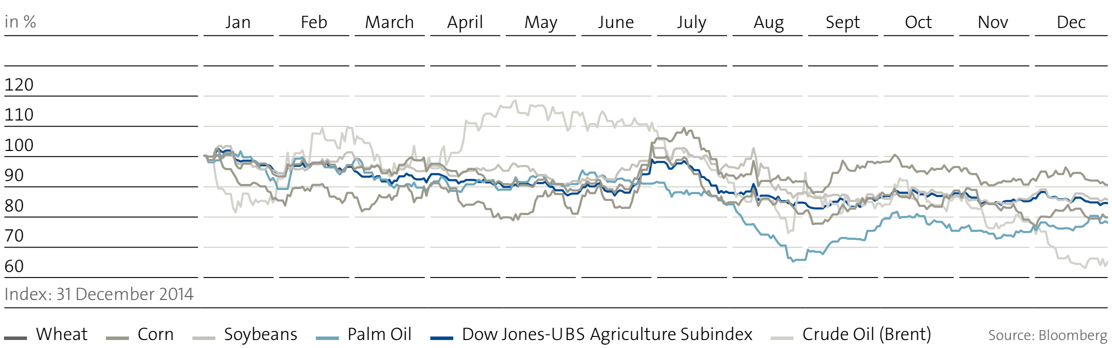
The changes in the macroeconomic environment impacted on the course of business for K+S as follows:

+ The K+S GROUP's energy costs are particularly affected by the cost of purchasing gas. Our purchasing agreements give us a high degree of flexibility in terms of our procurement source. Overall, we were able once again to reduce our energy costs compared with the previous year.

+ In addition to the EUR/USD exchange rate, the relative comparison between our competitors' currencies (Canadian dollar, Russian rouble) and the US dollar is important for us. A strong US dollar generally has a positive impact on the profitability of most of the world's potash producers in their respective local currency. This is due to the fact that the bulk of worldwide potash production lies outside the US dollar zone, while almost all sales, with the exception of those in Europe, are invoiced in US dollars. Figure 1.4.2 shows that the US dollar also was up against the Canadian dollar and the Russian rouble in the year under review. Overall, this did not result in any noteworthy effect on international competitiveness for the K+S GROUP.
+ Foreign currency hedging system: The use of hedging instruments for the Potash and Magnesium Products business unit resulted in an average exchange rate in 2015 of 1.20 EUR/USD, including hedging costs (2014: 1.33 EUR/USD). In comparison to the previous year, the strength of the US dollar against the euro thus again had positive results. We also hedged the euro exchange rate for the Legacy Project capital expenditure payable in Canadian dollars. The average hedging rate in the year under review was 1.47 EUR/CAD (2014: 1.43 EUR/CAD).

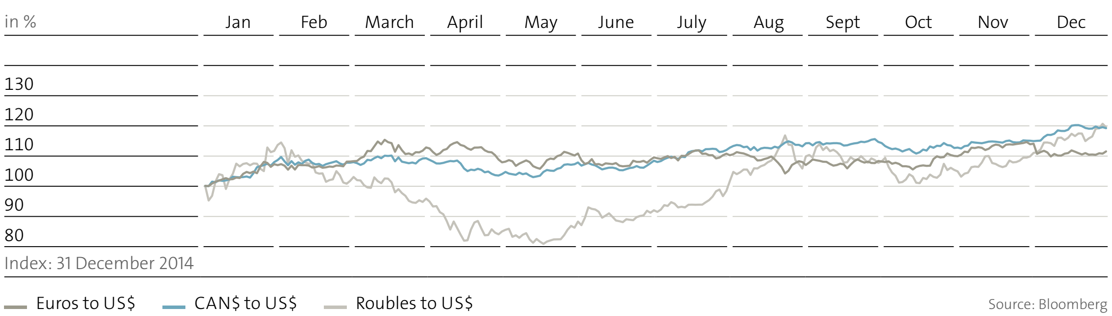
/ MORE INFORMATION ON THE FOREIGN CURRENCY HEDGING SYSTEM: see page 90

DEVELOPMENT OF PRICES FOR AGRICULTURAL PRODUCTS AND CRUDE OIL FIG: 1.4.1



Source: Bloomberg

DEVELOPMENT OF EXCHANGE RATES FIG: 1.4.2



Source: Bloomberg

+ Pressure on soft commodity prices had a negative impact on farmers' earnings prospects, particularly in the second half of the year, prompting them to implement cost savings. This had an impact on potash demand and the price level of potassium chloride in some regions, particularly in Brazil. The basic growth drivers for potassium chloride demand remain intact: A global population that is growing by around 80 million people each year as well as changing eating habits with a shift towards higher meat and protein consumption, and not least a limited supply of agricultural land. The resulting earnings prospects should give the agriculture industry sufficient incentive to increase yield per hectare by making greater use of plant nutrients.

INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

At the beginning of the year, according to public information, the major potash suppliers agreed on a price per tonne including shipping with Chinese customers for the standard product, potassium chloride (MOP), of USD 315. Global demand remained largely robust as a result.

The stronger US dollar had different impacts in various regions. While some suppliers, particularly producers outside of Europe, were initially able to increase prices slightly in Europe, a weaker Brazilian real, less availability of credit for farmers and falling soft commodities prices following record sales in the previous year led to reduced demand in Brazil. The first price drops in the overseas regions were recorded as a consequence of this in the middle of the year. The increasing depreciation of currencies in the emerging market countries, persistently low soft commodities prices and a below-average monsoon also led to purchasing restraint in South East Asia and India over the course of the year.

On the other hand, the general conditions in the fertilizer specialties segment were more or less stable. Farmers cultivating chloride-sensitive crops, such as vegetables or wine, also had a clear incentive to use appropriate plant nutrients, such as potassium sulphate (SOP), in 2015 on account of the attractive earnings that could be generated with these crops.

SALT BUSINESS UNIT

Thanks to a severe winter in the North American de-icing salt regions, demand was again above average in the first quarter of 2015, although the figures were not as high as those of the previous year. On average, however, the price level for deliveries was higher than in the previous season. In Europe, another mild winter only resulted in a slight increase in sales volumes in comparison with the previous year.

Demand for de-icing salt particularly in North America was again positive in the second and third quarters; inventories were at a very low level on the East Coast, due to the wintry weather at the beginning of the year.

The fourth quarter proved extremely mild particularly at the end of the year, with the winter business in North America lagging significantly behind the previous year. Isolated snowfalls in Europe were only able to reduce high inventories in a few cases.

Demand for industrial salt remained largely unchanged in Europe and South America. In North America, sales volumes of water softening salts have been stable and price trends positive. In Europe and South America, demand in the food grade salt segment remained at the previous year's level. Average prices in this segment also rose on average in North America. Demand for salt for chemical use by the chemical industry was stable in Europe in 2015, whereas there was an increase in demand in North America.

KEY EVENTS AFFECTING THE COURSE OF BUSINESS

+ While the global price level for potash still remained largely stable in the first half of the year, we recorded falling prices mainly in the overseas regions in the second half of the year. The increasing depreciation of currencies in the emerging market countries, lower soft commodities prices and a below-average monsoon led to significant purchasing restraint.
+ The de-icing salt business is highly dependent on the weather conditions in the first and fourth quarters. At the start of 2015, the severe winter in North America with heavy snowfalls had a positive impact on K+S and was able to compensate for the effects brought about by the mild winter weather in Europe. At the end of the year, mild weather on both continents led to below-average volumes in the Salt business unit.

COMPARISON OF ACTUAL AND PROJECTED COURSE OF BUSINESS

REVENUES FORECAST

The revenues forecast formulated as part of the 2014 Annual Report assumed a moderate increase in revenues for 2015 compared with the preceding period. The revenues actually generated by the K+S GROUP in 2015 of € 4.18 billion proved this assumption was correct (2014: € 3.82 billion).

EARNINGS FORECAST

In March 2015, we assumed operating earnings EBITDA and EBIT I for the year 2015 to be significantly higher than in the previous year due to expected higher average annual revenues in the Potash and Magnesium Products business unit. As the Salt business unit also developed positively due to increased prices and positive currency effects, it was possible to achieve the forecasted figures of € 1,057.5 million and € 781.6 million for K+S GROUP operating earnings in 2015. Adjusted Group earnings after taxes amounted to € 542.3 million in the year under review and were thus up significantly on the previous year. The expectation with regard to a moderately falling ROCE was confirmed at 12.5 % (2014: 12.7 %).

CASH FLOW FORECAST

The forecast in the 2014 Annual Report of a significantly negative free cash flow (adjusted) was confirmed. This amounted to € –635.9 million in the period under review (2014: € –306.3 million).

REVENUES BY UNIT TAB: 1.4.1

in € million	Q1/15	Q2/15	Q3/15	Q4/15	2015	2014	%
Potash and Magnesium Products business unit	608.4	500.5	471.4	511.0	2,091.3	1,884.0	+ 11.0
Salt business unit	727.0	374.0	381.8	442.4	1,925.2	1,778.5	+ 8.2
Complementary Activities	41.3	39.6	38.0	38.8	157.7	158.3	– 0.4
Reconciliation	0.4	0.3	0.2	0.4	1.3	0.9	+ 44.4
K+S Group	**1,377.1**	**914.4**	**891.4**	**992.6**	**4,175.5**	**3,821.7**	**+ 9.3**
Share of total revenues (%)	33.0	21.9	21.3	23.8	100.0	—	—

CAPITAL EXPENDITURE FORECAST

In the 2014 Annual Report, we estimated capital expenditure of around € 1.3 billion for the 2015 financial year. The actual figure was € 1,278.8 million and thus close to the figure forecasted.

EARNINGS POSITION

REVENUES MODERATELY ABOVE PREVIOUS YEAR'S LEVEL

In the 2015 financial year, revenues increased to € 4,175.5 million compared with € 3,821.7 million in the previous year. This increase is due particularly to a higher average price level in both business units as well as a favourable EUR/USD exchange rate. A certain seasonality can generally be recognised from the quarterly revenues; in terms of volume, the first six months for the Potash and Magnesium Products business unit usually benefits 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. / TAB: 1.4.1, 1.4.2

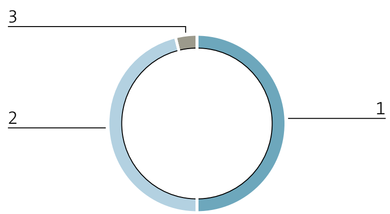
/ MORE INFORMATION: see section 'Segment Reporting', page 96

While the first half of the year in the Salt business unit was strongly characterised by above-average demand

VARIANCE COMPARED WITH PREVIOUS YEAR TAB: 1.4.2

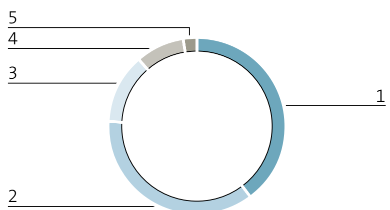
in %	2015
Change in revenues	**+ 9.3**
– volume/structure-related	– 4.5
– price/pricing-related	+ 4.1
– currency-related	+ 9.7
– consolidation-related	—

REVENUES BY UNIT FIG: 1.4.3



	in %	2015	2014
1	Potash and Magnesium Products business unit	50.1	49.3
2	Salt business unit	46.1	46.6
3	Complementary Activities	3.8	4.1

REVENUES BY REGION FIG: 1.4.4



	in %	2015	2014
1	Europe	39.8	41.9
	– of which Germany	14.2	14.9
2	North America	36.1	35.6
3	South America	12.8	12.3
4	Asia	8.8	7.7
5	Africa, Oceania	2.5	2.5

for de-icing salt due to the wintry weather conditions in North America and higher average prices, benefits for the Potash and Magnesium Products business unit were mainly price and currency-related. There was a period of slow economic growth in the second half of the year particularly in the overseas regions (such as Brazil), which led to a significant drop in the price of potassium chloride. However, the market for potash specialties proved consistently robust. In the fourth quarter, the winter that failed to materialise on both sides of the Atlantic led to a significant decrease in revenues in the Salt business unit compared with the previous year.

The Potash and Magnesium Products business unit again posted the highest revenues of all K+S GROUP business units, accounting for around 50 % of total revenues, and was followed by the Salt business unit and Complementary Activities. / FIG: 1.4.3

In terms of regional distribution, the depreciation of the euro led to an increased percentage share in revenues overseas in the 2015 financial year. However, we continued to generate the largest share in Europe, accounting for around 40 % of total revenues. North America generated approximately 36 %; we sell mainly salt products here. In South America, in addition to the important Brazilian potash business, the Chilean salt business is also significant for us; the share of revenues was just under 13 %. Finally, 9 % of total revenues was accounted for by Asia. / FIG: 1.4.4

DEVELOPMENT OF ORDERS

Most of our business is not covered by longer-term agreements on fixed volumes and prices.

At less than 10 %, the share of orders on hand in relation to revenues at the end of the year is low in the Potash and Magnesium Products business unit. The business is characterised by long-term customer relationships as well as revolving framework agreements with non-binding volume and price indications.

In the Salt business unit, de-icing salt contracts for the public sector in Europe, Canada and the United States are awarded through public tenders. We generally participate in these tenders from the second quarter for the coming winter season, but also, in some cases, for subsequent winter seasons. The contracts include agreements on both prices and maximum volumes. Where contractually agreed volumes are subject to fluctuations permitted by law depending on weather conditions, these cannot be classified as orders on hand. This also applies if volumes can be carried forward to the following winter if demand is weak in a particular season.

For the reasons stated above, the reporting of orders on hand is not relevant for the assessment of short-term and medium-term profitability.

DEVELOPMENT OF SELECTED COST TYPES

For us, cost of materials, personnel expenses and freight costs have overriding importance. At € 1,468.7 million, the cost of materials increased tangibly due mainly to currency-related effects (2014: € 1,329.0 million). In 2015, personnel expenses amounted to € 1,080.0 million and were therefore moderately above the level in the previous year (2014: € 1,013.7 million). Increased accruals for performance-related remuneration, higher expenditure arising from wage and salary increases and currency-related cost increases were, however, accompanied by savings in the context of 'Fit for the Future'. Freight costs benefitted mainly from lower crude oil prices, however at € 808.9 million were still tangibly higher than in the previous year due to the EUR/USD exchange rate development (2014: € 735.6 million).

/ MORE INFORMATION: see notes (8) and (9), page 158

EARNINGS DEVELOPMENT IN THE PAST FINANCIAL YEAR

'FIT FOR THE FUTURE' ON TRACK

We continued our extensive efforts in the 2015 financial year to make the cost and organisational structures of the entire Group more efficient. We are striving for total cost savings of € 500 million between 2014 and 2016 compared with previous planning for this period. In addition to actual savings, this figure also includes expenses that were originally planned, but have been avoided.

We were able once again to exceed our target in 2015. Cost savings were made particularly in the areas of production, materials management, logistics and IT. We have introduced an IT-supported system for central production management, commissioned new hydrostatic machines with low operating costs for use underground, made savings in terms of packaging materials, optimised the logistics network in North America and reorganised our Chilean shipping company, EMPREMAR. These and other initiatives have meant that we have already been able to make a good two-thirds of the announced savings.

OPERATING EARNINGS EBITDA AND EBIT I

Earnings before interest, taxes, depreciation and amortisation (EBITDA), which have been adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised (€ 43.4 million), amounted to € 1,057.5 million in the year under review and were up significantly compared to the previous year (2014: € 895.5 million). / TAB: 1.4.3

EBITDA BY BUSINESS UNIT [1] TAB: 1.4.3

in € million	Q1/15	Q2/15	Q3/15	Q4/15	2015	2014	%
Potash and Magnesium Products business unit	217.2	179.0	127.2	165.8	689.2	618.5	+11.4
Salt business unit	169.6	70.8	70.6	70.0	381.0	276.0	+38.0
Complementary Activities	10.0	9.0	8.0	8.0	35.0	34.3	+2.0
Reconciliation [2]	−13.7	−11.5	−6.5	−16.0	−47.7	−33.3	−43.2
K+S Group	**383.1**	**247.3**	**199.3**	**227.8**	**1,057.5**	**895.5**	**+18.1**
Share of total EBITDA (%)	36.2	23.4	18.8	21.6	100.0	—	—

[1] Adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.
[2] Expenses and income that cannot be allocated to business units and Complementary Activities are recorded separately and shown under 'Reconciliation'.

Operating earnings EBIT I amounted to € 781.6 million in the year under review; this corresponds to an increase of around 22 % compared with the figure in the previous year (2014: € 641.3 million). This increase is due first and foremost to higher average prices in both business units, but the EUR/USD exchange rate had a positive effect alongside this. Moreover, the previous year's figure benefitted from a special item of € 36.0 million relating to an insurance payment following the suspension of operations at the Unterbreizbach site. / TAB: 1.4.4

EBIT I BY BUSINESS UNIT TAB: 1.4.4

in € million	Q1/15	Q2/15	Q3/15	Q4/15	2015	2014	%
Potash and Magnesium Products business unit	183.2	143.9	92.5	126.5	546.1	488.8	+11.7
Salt business unit	142.0	42.6	43.2	38.5	266.3	172.9	+54.0
Complementary Activities	7.7	6.7	5.7	6.3	26.4	24.2	+9.1
Reconciliation[1]	−16.2	−14.0	−9.3	−17.7	−57.2	−44.6	−28.3
K+S Group	**316.7**	**179.2**	**132.1**	**153.6**	**781.6**	**641.3**	**+21.9**
Share of total EBIT I (%)	40.5	22.9	16.9	19.7	100.0	—	—

[1] Expenses and income that cannot be allocated to business units and Complementary Activities are recorded separately and shown under 'Reconciliation'.

EBIT I includes depreciation and amortisation (adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised) of € 275.9 million. These increased by around 9 % compared with the previous year (2014: € 254.2 million) due primarily to the commissioning of new facilities as part of the package of measures for water protection as well as currency-related effects.

RESULT AFTER OPERATING HEDGES (EBIT II)

An operating profit EBIT II of € 715.6 million after operating hedges was generated in 2015, compared with € 660.7 million in the previous year. The difference between EBIT I and EBIT II results from effects on earnings arising from operating forecast hedging transactions of € −66.0 million (2014: € +19.4 million). This effect on earnings is mainly the result of the change in the market values of outstanding hedging transactions. This is due mainly to the appreciation of the US dollar and the depreciation of the Canadian dollar in relation to the euro on the reporting date.

In accordance with IFRS, fluctuations in market value from hedging transactions are reported in the income statement. EBIT II includes all results from hedging transactions, i.e. both reporting date-related valuation effects and results from any hedging derivatives realised. Any effects on earnings arising from the hedging of underlying transactions relating to financing that are not reflected in EBIT are reported in the financial result.

FINANCIAL RESULT

In 2015, the financial result was € −33.7 million compared with € −126.0 million in the previous year. This improvement was due in particular to the omission of interest expenses (€ 28.1 million) for the bond due in September 2014 as well as the fact that the previous year was negatively affected by an adjustment of the discount rate for mining provisions (€ −39.8 million). The capitalisation of interest on debt also had a positive effect, in particular for the Legacy Project (2015: € 30.0 million; 2014: € 1.3 million). Interest expenses for pension provisions (2015: € −5.6 million; 2014: € −3.4 million) and interest expenses for other long-term provisions, in particular for mining obligations (2015: € −10.5 million; 2014: € −61.3 million) are shown in the financial result; both are non-cash items.

GROUP EARNINGS AND EARNINGS PER SHARE

In the year under review, Group earnings after taxes amounted to € 495.2 million (2014: € 380.5 million). Tax expenses amounted to € 186.5 million (2014: € 153.4 million). Tax expenses consisted of cash taxes of € 205.2 million (2014: € 127.8 million) and non-cash deferred taxes of € –18.7 million (2014: € 25.6 million). The increase in cash taxes is due to higher operating earnings and the fact that tax loss carryforwards had been largely used in 2014. The change in deferred tax is due in particular to lower exploitation of losses as well as the fact that in 2014, a change in tax rate in Chile led to increased deferred tax expenses. The anticipated income tax expense was calculated based on a domestic Group income tax rate of 28.7 % (2014: 28.6 %).

In the year under review, earnings per share reached € 2.59. It was therefore 30 % above the level in the previous year of € 1.99. An average number of 191.4 million outstanding no-par value shares was used as the basis for calculation.

ADJUSTED GROUP EARNINGS AND ADJUSTED EARNINGS PER SHARE

To enhance comparability, we also report adjusted Group earnings, which eliminate the effects from operating forecast hedges. Furthermore, the effects on deferred and cash taxes resulting from this adjustment are also calculated separately. The adjusted Group earnings serve as a basis for calculating dividends in accordance with our distribution policy and are determined as follows: / TAB: 1.4.5

Adjusted Group earnings increased by around 48 % to € 542.3 million (2014: € 366.6 million). The adjusted Group tax rate was 27.5 % in the year under review compared with 28.7 % in the previous year; this was influenced by a one-off deferred tax expense due to the tax rate increase in Chile. In the year under review, adjusted earnings per share reached € 2.83 (2014: € 1.92). 191.4 million no-par value shares were also used as a basis for this calculation.

As of 31 December 2015, we held no shares of our own. At the end of the year, the total number of shares outstanding of the K+S GROUP was therefore 191.4 million no-par value shares. / TAB: 1.4.6

COMPUTATION OF THE ADJUSTED GROUP EARNINGS TAB: 1.4.5

in € million	2015	2014
Group earnings	495.2	380.5
Income (–)/expenses (+) from market value changes of operating forecast hedges still outstanding	85.5	– 24.1
Neutralising of market fluctuations of realised operating forecast hedges recognised in previous periods	– 22.0	9.0
Elimination of resulting deferred and cash taxes	– 18.9	5.5
Realised income (–)/expenses (+) arising from hedging of anticipated capital expenditure in Canada	2.5	– 4.3
Group earnings, adjusted	**542.3**	**366.6**

EARNINGS PER SHARE TAB: 1.4.6

	Q1/15	Q2/15	Q3/15	Q4/15	2015	2014	%
Earnings per share (€)	0.85	0.80	0.26	0.68	2.59	1.99	+ 30.2
Earnings per share adjusted (€)[1]	1.04	0.62	0.46	0.71	2.83	1.92	+ 47.4
Average number of shares (millions)	191.40	191.40	191.40	191.40	191.40	191.40	—

[1] The adjusted key figures include the result from operating forecast hedges in the respective reporting period, which eliminates effects from fluctuations in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project). Related effects on deferred and cash taxes are also adjusted; tax rate for 2015: 28.7 % (2014: 28.6 %).

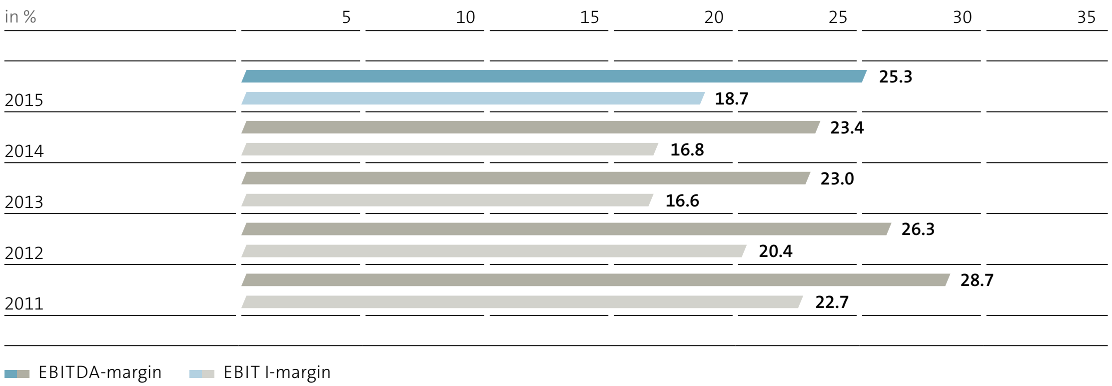
KEY FIGURES ON EARNINGS POSITION

MARGIN KEY FIGURES

The margin key figures improved in the year under review compared with the figures in the previous year following positive business development. Earnings before interest, taxes, depreciation and amortisation of € 1,057.5 million resulted in an EBITDA-margin of 25.3 % (2014: 23.4 %), and the EBIT I-margin reached 18.7 % compared with 16.8 % in 2014. The return on revenues was 13.0 % (2014: 9.6 %). / FIG: 1.4.5

/ **DEFINITIONS OF KEY FIGURES USED:** see section 'More Information', page 191

MARGIN KEY FIGURES FIG: 1.4.5



COMPUTATION OF THE COST OF CAPITAL

The weighted average cost of capital rate for the K+S GROUP is calculated from the aggregate of the expected yield to which a contributor of equity would be entitled in respect of his equity share as well as the interest on debt in respect of the share of interest-bearing debt in total capital according to the peer group method as per IAS 36. As this is considered from an after-tax perspective, the average interest on debt is reduced by the corporate tax rate.

The expected yield to which a contributor of equity would be entitled is derived from a risk-free interest rate plus a risk premium. The cash value equivalent average of the yields of government bonds denominated in euros with a maturity of 1 to 30 years was assumed as the risk-free interest rate according to the Svensson method; at the end of 2015, this was 1.5 % (2014: 1.6 %).

The risk premium has been calculated using a market risk premium of 6.0 % (2014: 6.0 %) as well as the applicable beta factor derived from the peer group of 0.91 (2014: 0.85) in relation to the MSCI WORLD benchmark index. This means that a contributor of equity would be entitled to a notional yield of 6.9 % (2014: 6.8 %).

The average interest on debt before taxes is 3.0 % (2014: 3.5 %), and is derived from the peer group company rating and a corresponding spread applicable to the risk-free interest rate. After taking the adjusted Group tax rate of 27.5 % into account, this results in an average cost of debt after taxes of 2.2 % (2014: 2.5 %). The debt-equity ratio calculated according to the peer group method is 22.1 % (2014: 19.3 %).

In total, this results in a weighted average cost of capital rate for the K+S GROUP of 6.0 % (previous year: 6.0 %) after taxes. Based on an average figure for capital tied up of € 6,816.6 million (of which operationally tied up: € 6,257.2 million) for 2015, this gives a cost of capital of € 409.0 million. This corresponds to a cost of capital rate before taxes of 8.3 % (2014: 8.4 %).

PROFITABILITY RATIOS

The profitability ratios were also positive on account of the higher earnings. In the year under review, the return on equity after taxes was 13.1 % (2014: 9.9 %), with the return on total investment amounting to 10.4 % (2014: 9.0 %). The return on capital employed (ROCE) of the K+S GROUP was 12.5 % in the year under review compared with 12.7 % in the previous year. The increase in

COMPUTATION OF ROCE TAB: 1.4.7

in € million	2015	2014
EBIT I	**781.6**	**641.3**
Intangible assets[1]	831.9	774.3
Property, plant and equipment	5,054.8	4,112.7
Investments in affiliated companies and other equity interests	13.6	13.1
Operating fixed assets	5,900.3	4,900.1
Inventories	705.3	578.8
Accounts receivable – trade	708.6	732.9
Other assets	377.2	303.1
Accounts payable – trade	– 306.0	– 284.6
Other liabilities	– 166.8	– 112.3
Current provisions	– 405.6	– 404.7
Working capital adjustments[2]	33.4	– 45.1
Working capital	945.9	768.1
Capital employed	6,846.2	5,668.2
ROCE = Operating earnings (EBIT I) / Capital employed (average for the year)	**12.5 %**	**12.7 %**
– Potash and Magnesium Products business unit	14.4 %	17.8 %
– Salt business unit	11.4 %	8.1 %
– Complementary Activities	27.6 %	24.1 %

[1] Adjusted by deferred tax influencing goodwill from initial consolidation.
[2] Adjusted by CTA asset surpluses, receivables and liabilities from investments, market values of operating forecast hedging transactions, reimbursement claims and corresponding obligations.

MULTIPLE PERIOD OVERVIEW OF MARGIN AND PROFITABILITY RATIOS[1] TAB: 1.4.8

Figures in %	2015	2014	2013	2012	2011
Gross margin	45.9	42.1	43.2	45.1	45.4
EBITDA-margin	25.3	23.4	23.0	26.3	28.7
EBIT-margin	18.7	16.8	16.6	20.4	22.7
Return on revenues[2]	13.0	9.6	11.1	13.7	15.7
Return on equity after taxes[2,3]	13.1	9.9	12.8	19.6	20.2
Return on total investment[2,3]	10.4	9.0	10.9	16.1	16.4
Return on capital employed (ROCE)	12.5	12.7	15.2	19.9	25.2
Weighted average cost of capital rate before taxes	8.3	8.4	8.2	8.7	8.6
Value added (€ million)	262.8	216.4	302.3	452.4	597.3

[1] Information refers to the continued operations of the K+S Group.
[2] The adjusted key figures only include the result from operating forecast hedges in the respective reporting period reported in EBIT I, which eliminates effects from fluctuations in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project). Related effects on deferred and cash taxes are also eliminated; tax rate for 2015: 28.7 % (2014: 28.6 %).
[3] This information refers to continued and discontinued operations of the K+S Group.

EBIT I was offset by a higher working capital commitment. ROCE continues to be significantly higher than our cost of capital of 8.3 % before taxes. As a result, the K+S GROUP created an added value of € 262.8 million during the past financial year. The development of operating earnings in the Potash and Magnesium Products business unit was accompanied by a higher working capital commitment, essentially as a result of Legacy; consequently, ROCE was 14.4 %. The Salt business unit achieved a figure of 11.4 % as a result of the significant increase in EBIT I. / **TAB: 1.4.7, 1.4.8**

/ **DEFINITIONS OF KEY FIGURES USED:** see section 'More Information', page 191

FINANCIAL POSITION

PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT OF THE K+S GROUP

FINANCIAL MANAGEMENT IS CONTROLLED CENTRALLY

The overriding goals of the financial management of the K+S GROUP include:

+ securing liquidity and controlling it efficiently across the Group,
+ maintaining and optimising the financial capability of the Group as well as
+ reducing financial risks also by using financial instruments.

Centralised cash management allows us to control liquidity and optimise the payment streams within the K+S GROUP. In order to maintain eligibility for financing and achieve a low cost of capital for borrowed capital and equity, we aim to achieve a capital structure in the long-term, which is orientated towards the standard criteria and indicators for an 'investment grade' rating. This does not rule out a temporary deviation from this approach in the light of the capital expenditure in the Legacy Project. The capital structure is managed on the basis of the following key figures: / TAB: 1.4.9

KEY FIGURES AND MANAGEMENT OF THE CAPITAL STRUCTURE [1] TAB: 1.4.9

	Target range	2015	2014	2013	2012	2011
Net debt/EBITDA	1.0 to 1.5	2.3	1.8	1.2	0.8	0.5
Net debt/equity (%)	max. 100	55.7	42.2	30.5	24.4	19.8
Equity ratio (%)	40 to 50	51.9	50.6	45.3	51.4	50.9

[1] The figures for the 2014 financial year were adjusted due to a change in the reporting of mining provisions. Further information regarding the adjustment can be found in the notes section (note 22) on page 175.

Currency and interest rate management is performed centrally for all Group companies. Derivative financial instruments are only entered into with top-rated banks and are spread across several banks and regularly monitored to reduce the risk of default.

HEDGING OF EXCHANGE RATE RISKS — POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT TAB: 1.4.10

	2014	Q1/15	Q2/15	Q3/15	Q4/15	2015
EUR/USD exchange rate after premiums	1.33	1.22	1.21	1.19	1.17	1.20
Average EUR/USD spot rate	1.33	1.13	1.11	1.11	1.10	1.11

FOREIGN CURRENCY HEDGING SYSTEM

Exchange rate fluctuations can lead to the value of the service performed not matching the value of the consideration received because income and expenditure arise at different times in different currencies (transaction risks). Exchange rate fluctuations, especially in relation to the US dollar, play a particular role for the Potash and Magnesium Products business unit in relation to the level of earnings and receivables. Key net positions (i.e. net revenues in US dollars less freight and capital expenditure for the Legacy Project in US dollars) are hedged using derivatives, normally options and futures, in the context of transaction hedging. Furthermore, currency effects occur for subsidiaries whose functional currency is not the euro (translation risks): On the one hand, the earnings of these companies determined in a foreign currency are translated into euros at average rates and recognised in profit or loss, and on the other hand, their net assets are translated into euros at the rates prevailing on the reporting date. The latter can result in currency-related fluctuations in the equity of the K+S GROUP. Translation effects from the conversion of US dollars mainly occur in the Salt business unit at present and will continue to play an increasingly important role in the Potash and Magnesium Products business unit in future.

Options and futures are used as part of transaction hedging to hedge the worst case, but at the same time, the opportunity is retained for some of the foreign currency positions to participate in exchange rate developments that are more favourable for us.

In 2015, the price of the US dollar realised in the Potash and Magnesium Products business unit was 1.20 EUR/USD including costs (previous year: 1.33 EUR/USD). / TAB: 1.4.10

Payments will be made mainly in Canadian dollars (CAD) and partly in US dollars for the construction of the new potash plant in Canada (Legacy Project) during the primary investment phase until 2016. The capital expenditure in Canadian dollars is aided in part by a natural hedge arising from surpluses in the salt business in Canada. Futures and options, which lock in a worst-case scenario, are largely used to hedge the remaining CAD net position. The average hedging rate in 2015 was 1.47 EUR/CAD (2014: 1.43 EUR/CAD). Capital expenditure in US dollars is included in the USD net position of the Potash and Magnesium Products business unit; during the investment phase, this leads to a reduction in the total US dollar volume requiring hedging. In the subsequent operating phase, the net position will increase due to the anticipated additional USD revenues.

/ FURTHER INFORMATION ON THE LEGACY PROJECT:
www.k-plus-s.com/en/legacy-project

CAPITAL EXPENDITURE ANALYSIS

In 2015, the K+S GROUP invested € 1,278.8 million, representing an increase of € 125.6 million, or around 11 %. The increase was due mainly to capital expenditure for our Legacy Project in Canada. / TAB: 1.4.11

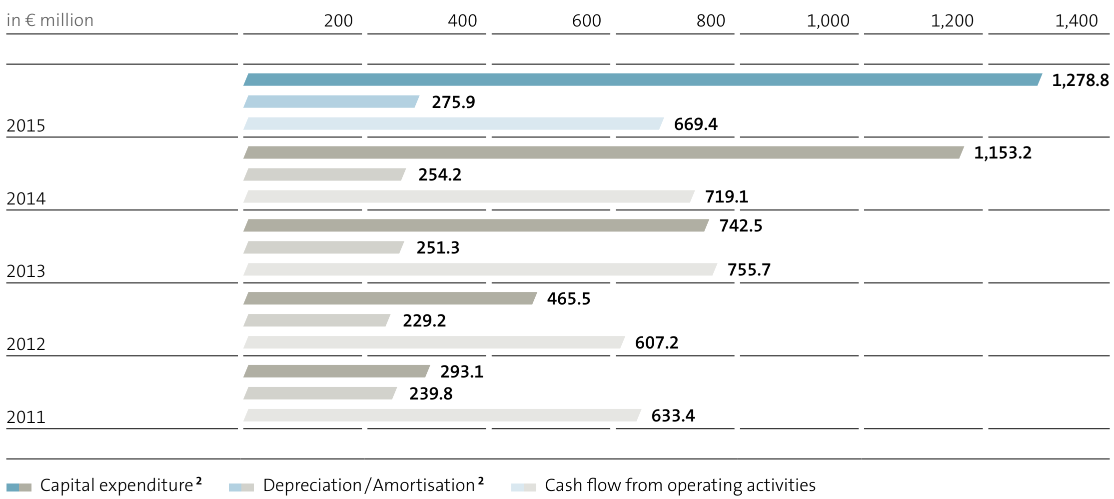
At the end of the year, there were capital expenditure obligations totalling € 598.3 million which relate to investment projects from 2015 and earlier that have not yet been completed. / FIG: 1.4.6

CAPITAL EXPENDITURE BY BUSINESS UNIT [1] TAB: 1.4.11

in € million	Q1/15	Q2/15	Q3/15	Q4/15	2015	2014	%
Potash and Magnesium Products business unit	184.7	330.8	322.1	307.4	1,145.0	1,040.4	+10.1
Salt business unit	12.8	17.9	26.3	61.1	118.1	87.5	+35.0
Complementary Activities	0.4	0.8	2.2	3.1	6.5	5.1	+27.5
Other capital expenditure	1.9	6.0	–0.7	2.0	9.2	20.2	–54.5
K+S Group	**199.8**	**355.5**	**349.9**	**373.6**	**1,278.8**	**1,153.2**	**+ 10.9**
Share of capital expenditure (%)	15.6	27.8	27.4	29.2	100.0	—	—

[1] Capital expenditure on property, plant and equipment, intangible assets, investment properties and financial assets.

CAPITAL EXPENDITURE COMPARED WITH DEPRECIATION, AMORTISATION AND WRITE DOWNS AND CASH FLOW FROM OPERATING ACTIVITIES [1] FIG: 1.4.6



[1] This information refers to the continued operations of the K+S Group. In 2011, the discontinued operations of the Nitrogen business are also included.
[2] Capital expenditure in or depreciation, amortisation and write downs affecting net income on property, plant and equipment, intangible assets and investment properties, as well as depreciation of financial assets.

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

In the Potash and Magnesium Products business unit, we invested € 1,145.0 million, i.e. € 104.6 million or 10 % more than in the previous year. Most of the capital expenditure applied to foundation and steelwork for the factory, the construction and expansion of facilities for developing caverns and the purchasing and installation of key core components for the Legacy Project in Canada. We also made considerable investments in the package of measures for water protection in the Hesse-Thuringia potash district.

/ **MORE INFORMATION:** see section 'Environment', page 43

SALT BUSINESS UNIT

At € 118.1 million, capital expenditure in the Salt business unit in 2015 was higher than in the previous year (2014: € 87.5 million). The measures to secure production at the Borth salt mine in North Rhine-Westphalia, the expansion of the plant at Port Canaveral, USA, with respect to production facilities and storage areas as well as measures to open up a deeper mining level at the rock salt site at Weeks Island, USA, were among the most significant projects in the year under review.

COMPLEMENTARY ACTIVITIES

During the year under review, capital expenditure on Complementary Activities amounted to € 6.5 million, an increase of € 1.4 million compared with the previous year (2014: € 5.1 million). In the Waste Management and Recycling segment, progress was made on the development of a further field for underground reutilisation at the Bernburg site in Germany.

LIQUIDITY ANALYSIS

Cash flow from operating activities fell by around 7 % compared with the previous year to € 669.4 million (2014: € 719.1 million). The increase in operating earnings EBIT I was accompanied by greater working capital commitments. / **TAB: 1.4.12**

CASH FLOW OVERVIEW TAB: 1.4.12

in € million	Q1/15	Q2/15	Q3/15	Q4/15	2015	2014	%
Cash flow from operating activities	309.0	130.5	190.9	39.0	669.4	719.1	– 6.9
Cash flow from investment activities	– 122.9	– 51.6	– 345.2	– 256.1	– 775.8	– 584.9	+ 32.6
Free cash flow	**186.1**	**78.9**	**– 154.3**	**– 217.1**	**– 106.4**	**134.2**	**–**
Adjustment for acquisitions and disposals of securities and other financial investments	– 88.5	– 269.4	– 16.7	– 154.9	– 529.5	– 440.5	+ 20.2
Adjusted free cash flow	**97.6**	**– 190.5**	**– 171.0**	**– 372.0**	**– 635.9**	**– 306.3**	**> 100**

Cash flow from investment activities (excluding acquisitions / disposals of securities and other financial investments) amounted to € – 1,305.3 million in the year under review (2014: € – 1,025.4 million). The reason for this was the higher expenditure for the Legacy Project. Adjusted free cash flow (excluding acquisitions / disposals of securities and other financial investments) amounted to € – 635.9 million (2014: € – 306.3 million).

Cash flow from financing activities in the year under review was € – 151.5 million (2014: € – 787.8 million). The previous year's figure was negatively affected due to the repayment of the bond due in September 2014. As of 31 December 2015, net cash and cash equivalents amounted to € 118.4 million (31 December 2014: € 370.3 million). These relate to cash investments, essentially bank balances as well as money market and comparable securities with a residual term of less than three months on the acquisition date. / **TAB: 1.4.13**

FINANCING ANALYSIS

The financing structure of the K+S GROUP continued to be stable during the year under review. As of 31 December 2015, 89 % of financing resulted from equity and long-term debt, which in turn preferentially consists of bond payables and provisions (31 December 2014: 89 %). / **FIG: 1.4.7**

SLIGHT INCREASE IN EQUITY CAPITAL SHARE

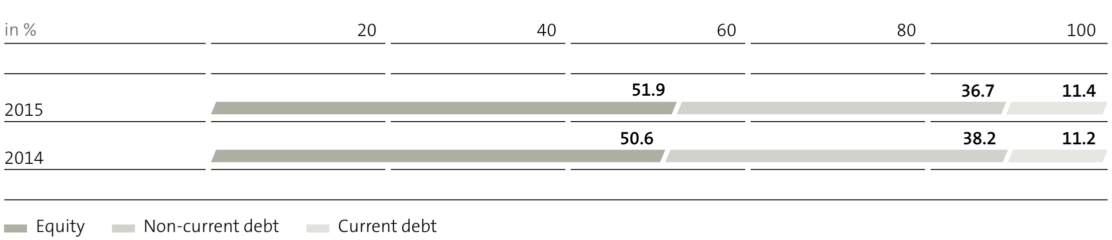
Equity increased mainly due to earnings from € 3,974.5 million to € 4,295.6 million. The equity ratio increased from 50.6 to 51.9 % of the balance sheet total.

MULTIPLE PERIOD OVERVIEW OF FINANCIAL POSITION [1] TAB: 1.4.13

in € million	2015	2014	2013	2012	2011
Equity	4,295.6	3,974.5	3,396.6	3,393.9	3,084.6
Equity ratio (%)	51.9	50.6	45.3	51.4	50.9
Non-current debt	3,036.8	2,999.8	2,686.8	2,555.3	1,953.6
– of which provisions for pensions and similar obligations	166.1	162.8	102.6	160.1	95.3
– of which provisions for mining obligations	870.1	872.5	743.9	706.6	580.6
Long-term provisions as share of balance sheet total (%)	14.2	15.2	12.9	15.1	13.6
Current debt	941.2	880.9	1,414.8	647.4	1,018.7
– of which trade accounts payable	306.0	284.6	271.5	289.2	613.8
Financial liabilities	1,543.7	1,551.3	2,255.2	1,265.8	770.6
Net financial liabilities	1,363.6	590.9	190.5	– 39.4	– 65.1
Net debt	2,399.8	1,626.2	1,037.0	827.3	610.8
Level of indebtedness I (%)	35.9	39.0	66.4	37.3	25.0
Level of indebtedness II (%)	55.9	40.9	30.5	24.4	19.8
Working capital	945.9	768.1	844.9	1,025.7	840.9
Cash flow from operating activities	669.4	719.1	755.7	607.2	633.4
Free cash flow	– 106.4	134.2	– 53.6	– 359.4	– 233.7
Cash flow from financing activities	– 151.5	– 787.8	721.3	243.0	– 261.7

[1] This information refers to the continued operations of the K+S Group. In 2011, the discontinued operations of the Nitrogen business are also included. The figures for the 2014 financial year were adjusted due to a change in the reporting of mining provisions. Further information regarding the adjustment can be found in the notes section (note 22) on page 175.

EQUITY AND LIABILITIES FIG: 1.4.7



DEBT SHARE FELL

The K+S GROUP debt rose slightly during the year under review from € 3,880.7 million to € 3,978.0 million. As of 31 December 2015, debt consisted of 40 % provisions, 40 % financial liabilities as well as trade accounts payable and tax liabilities from income taxes.

Long-term debt including long-term provisions amounted to € 3,036.8 million as of 31 December 2015 compared with € 2,999.8 million in the previous year. The proportion of long-term debt was reduced to 36.7 % of the balance sheet total (31 December 2014: 38.2 %).

Current debt increased from € 880.9 million at the end of 2014 to € 941.2 million as of 31 December 2015 due mainly to higher income tax liabilities and trade accounts payable. The proportion of current debt in relation to the balance sheet total was 11.4 % as of 31 December 2015 compared with 11.2 % in the previous year.

/ **FURTHER DETAILS OF THE CHANGE IN INDIVIDUAL BALANCE SHEET ITEMS** can be found in the Notes to the Consolidated Financial Statements on page 159.

FINANCIAL LIABILITIES

Financial liabilities amounted to € 1,543.7 million as of 31 December 2015 (2014: € 1,551.3 million). The majority of long-term debt is attributable to the corporate bonds issued in June 2012 and December 2013. Financial liabilities in foreign currencies are denominated mainly in US dollars. As of 31 December 2015, these amounted to € 22.2 million after conversion.

PROVISIONS

The long-term provisions of the K+S GROUP are provisions particularly for mining obligations as well as for pensions and similar obligations.

The provisions for long-term mining obligations amounted to € 870.1 million compared with € 872.5 million in the previous year. The average discount rate remained at the previous year's level of 3.5 % (2014: 3.5 %).

The long-term provisions for pensions and similar obligations amounted to € 166.1 million compared with € 162.8 million in the previous year. The average weighted interest rate for pensions and similar obligations was 3.1 % as of 31 December 2015 (2014: 3.1 %). The actuarial valuation of pension provisions uses the projected unit credit method in accordance with IAS 19.

/ **AN EXPLANATION** can be found in the Notes to the Consolidated Financial Statements on page 167.

SIGNIFICANCE OF OFF-BALANCE SHEET FINANCING INSTRUMENTS FOR THE FINANCIAL AND ASSET POSITION

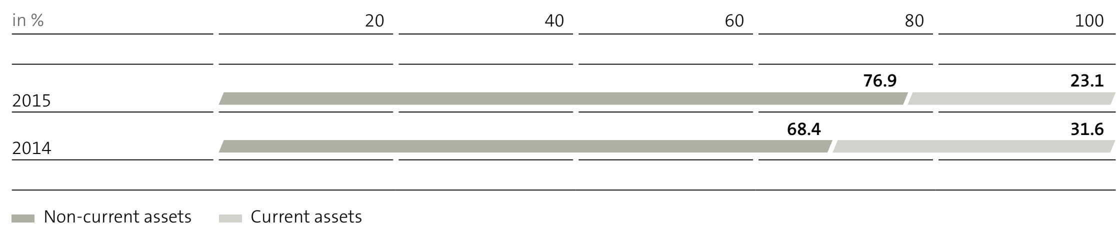
We use operating leases for company vehicles, storage capacities and IT equipment; their scope has no material bearing on the economic position of the K+S GROUP.

ASSET POSITION

ANALYSIS OF ASSET STRUCTURE

The balance sheet total of the K+S GROUP was € 8,273.6 million as of 31 December 2015 (31 December 2014: € 7,855.2 million). Fixed assets increased by € 942.1 million to € 5,054.8 million, mainly due to capital expenditure in the Legacy Project (31 December 2014: € 4,112.7 million). Cash and cash equivalents (€ 123.1 million) as well as trade accounts receivable (€ 708.6 million) fell € –252.1 million and € –24.3 million, respectively. The ratio of non-current to current assets shifted to

ASSETS FIG: 1.4.8



NET DEBT TAB: 1.4.14

in € million	2015	2014
Cash and cash equivalents as of 31 December	123.1	375.2
Long-term securities and other financial investments as of 31 December	—	33.3
Current securities and other financial investments as of 31 December	40.0	534.8
Financial liabilities	–1,543.7	–1,551.3
Liabilities from finance leases	–5.2	–3.0
Reimbursement claim (Morton Salt bond)	22.2	20.1
Net financial liabilities as of 31 December	**–1,363.6**	**–590.9**
Provisions for pensions and similar obligations	–166.1	–162.8
Provisions for mining obligations	–870.1	–872.5
Net debt as of 31 December	**–2,399.8**	**–1,626.2**

77:23. Cash and cash equivalents, current and non-current securities and other financial investments fell on account of capital expenditure in the Legacy Project to € 163.1 million, which corresponds to a drop of around 83 % since the start of the year (31 December 2014: € 943.3 million). / FIG: 1.4.8

The net debt of the K+S GROUP was € 2,399.8 million as of 31 December 2015 (31 December 2014: € 1,626.2 million). Net financial liabilities, i.e. not including provisions, amounted to € 1,363.6 million as of the reporting date, compared with € 590.9 million in the previous year. / TAB: 1.4.14, 1.4.15

/ DEFINITIONS OF KEY FIGURES USED: see section 'More Information', page 191

MULTIPLE PERIOD OVERVIEW OF NET ASSET POSITION[1] TAB: 1.4.15

in € million	2015	2014	2013	2012	2011
Property, plant and equipment, intangible assets	6,123.1	5,128.3	3,868.9	3,528.2	3,247.9
Financial assets, long-term securities and other financial investments	14.1	47.0	193.2	515.4	74.4
Inventories	705.3	578.8	552.6	687.9	730.0
Accounts receivable – trade	708.6	732.9	737.9	770.3	928.8
Cash and cash equivalents, current securities and other financial investments	163.1	910.0	1,867.5	786.8	757.8
Net financial liabilities	1,363.6	590.9	190.5	– 39.4	– 65.1
Net debt[2]	2,399.8	1,626.2	1,037.0	827.3	610.8
Fixed-assets-to-net-worth ratio I (%)	70.0	77.3	87.5	95.8	94.5
Fixed-assets-to-net-worth ratio II (%)	119.5	135.6	156.7	167.9	154.4
Liquidity ratio I (%)	17.3	103.3	132.0	121.5	74.4
Liquidity ratio II (%)	120.4	207.6	195.0	266.2	180.3
Liquidity ratio III (%)	203.5	281.8	236.2	378.1	256.1

[1] This information refers to the continued operations of the K+S Group. The discontinued operations of the Nitrogen business are also included up to 2011.
[2] The figures for the 2014 financial year were adjusted due to a change in the reporting of mining provisions. Further information regarding the adjustment can be found in the notes section (note 22) on page 175.

EARMARKED ASSETS

In 2005, we began out-financing obligations for pensions and semi-retirement of the domestic companies through a Contractual Trust Arrangement (CTA model). Such allocation of funds requires the earmarking of financial resources. The same applies to plan assets which serve the financing of the pension obligations of the MORTON SALT. Moreover, pledged reinsurance arrangements are in place which are also to be classified as plan assets according to IFRS. Obligations treated in this way are shown on the balance sheet on a net basis in accordance with IFRS. In 2015, assets earmarked in connection with personnel obligations amounted to € 417.9 million compared with € 433.1 million in the previous year. Details of the composition of these plan assets as well as of the out-financing performed in 2014 can be found in the Consolidated Notes under note (21), 'Provisions for pensions and similar obligations' as well as under note (23), 'Long-term obligations to employees'.

ASSETS NOT SHOWN ON THE BALANCE SHEET

Other financial obligations totalled € 839.2 million as of 31 December 2015 (31 December 2014: € 1,051.7 million) and concern both obligations arising from as yet incomplete capital expenditure projects as well as from operating leases for factory and office equipment (for example, printers, photocopiers and IT peripherals). In addition, vehicles and storage capacities are leased. Due to the chosen contractual structures, these items are not carried under fixed assets.

EXPLANATION OF COMPANY ACQUISITIONS AND DISPOSALS

No acquisitions and disposals of companies were effected during the year under review.

PRESENTATION OF SEGMENTS

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

REVENUES TANGIBLY HIGHER THAN IN PREVIOUS YEAR

In the 2015 financial year, the revenues of the business unit increased by € 207.3 million, or around 11 % to € 2,091.3 million; the reason for the increase in revenues was primarily a stronger US dollar in relation to the euro and higher average prices. The sales volume of 6.8 million tonnes in 2015 was on a par with the level in the previous year in spite of weather-related production restrictions (2014: 6.9 million tonnes).

/ TAB: 1.4.16, 1.4.17 / FIG: 1.4.9, 1.4.10

/ MORE INFORMATION: To learn more about the market environment in which the Potash and Magnesium Products business unit operates, see page 82

VARIANCE COMPARED WITH PREVIOUS YEAR TAB: 1.4.16

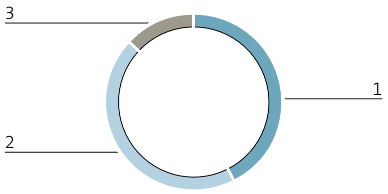
in %	2015
Change in revenues	**+11.0**
– volume/structure-related	+0.8
– price/pricing-related	+2.2
– currency-related	+8.0
– consolidation-related	—
Potassium chloride	+12.2
Fertilizer specialties	+10.4
Industrial products	+9.2

KEY FIGURES TAB: 1.4.17

in € million	Q1/15	Q2/15	Q3/15	Q4/15	2015	2014	%
Revenues	608.4	500.5	471.4	511.0	2,091.3	1,884.0	+11.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)[1]	217.2	179.0	127.2	165.8	689.2	618.5	+11.4
Operating earnings (EBIT I)	183.2	143.9	92.5	126.5	546.1	488.8	+11.7
Capital expenditure	184.7	330.8	322.1	307.4	1,145.0	1,040.4	+10.1
Employees as of reporting date (number)	8,249	8,241	8,363	—	8,404	8,299	+1.3

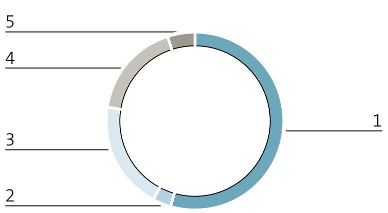
[1] Adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.

REVENUES BY PRODUCT GROUP FIG: 1.4.9



	in %	2015	2014
1	Potassium chloride	42.6	42.2
2	Fertilizer specialties	44.4	44.6
3	Industrial products	13.0	13.2

REVENUES BY REGION FIG: 1.4.10



	in %	2015	2014
1	Europe	54.7	58.7
	– of which Germany	15.6	16.6
2	North America	3.3	2.4
3	South America	19.7	18.4
4	Asia	17.5	15.5
5	Africa, Oceania	4.8	5.0

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY REGION [1] TAB: 1.4.18

		Q1/15	Q2/15	Q3/15	Q4/15	2015	2014	%
Revenues	**€ million**	**608.4**	**500.5**	**471.4**	**511.0**	**2,091.3**	**1,884.0**	**+11.0**
Europe	€ million	363.3	283.6	221.9	274.4	1,143.1	1,106.7	+3.3
Overseas	US$ million	276.1	239.4	277.2	259.4	1,052.1	1,032.6	+1.9
Sales volumes	**t million (product)**	**1.94**	**1.61**	**1.52**	**1.75**	**6.82**	**6.87**	**–0.7**
Europe	t million (product)	1.21	0.90	0.70	0.92	3.73	3.88	–3.8
Overseas	t million (product)	0.73	0.72	0.82	0.82	3.09	2.99	+3.4
Average price	**€/t (product)**	**313.6**	**310.4**	**309.8**	**291.5**	**306.5**	**274.1**	**+11.8**
Europe	€/t (product)	301.4	315.1	317.7	297.7	306.3	285.3	+7.4
Overseas	US$/t (product)	375.6	336.3	337.0	315.8	340.3	345.0	–1.4

[1] Revenues include prices both inclusive and exclusive of freight costs and, in the case of overseas revenues, are based on the respective EUR/USD spot rates. Hedging transactions were concluded for most of these sales revenues. Prices are also affected by the respective product mix and should therefore be taken as a rough indication only.

The proportion of revenues generated in Europe in the year under review was just under 55%; this share of revenues is largely free of any direct currency risk. The majority of the remaining revenues was generated in South America and Asia. / TAB: 1.4.18

In the year under review, revenues from potassium chloride rose by € 96.6 million, or around 12% to € 891.6 million. Positive trends in currency and volumes contributed mainly to the increase. While falling soft commodity prices in Europe led to a certain purchasing restraint, high demand was recorded temporarily in the overseas regions. In Europe, we sold 1.1 million tonnes of potassium chloride; this figure was down approx. 9% on the previous year (2014: 1.2 million tonnes). Overseas sales volume amounted to 2.1 million tonnes and was therefore around 11% more than in the previous year (2014: 1.9 million tonnes).

Fertilizer specialties with their diverse plant nutrients essentially generated a price and exchange-rate related increase in revenues of a good 10% to € 928.5 million in the 2015 financial year (2014: € 840.7 million). While increases in sales volumes and prices of potassium sulphate (SOP) were achieved particularly in the first six months of 2015, price increases were also recorded in Europe for other special potash grades. European sales volume of 2.2 million tonnes was virtually stable, while overseas sales volume of 0.8 million tonnes was around 10% lower than in the previous year.

In the industrial products unit, revenues increased by around 9% to € 271.2 million (2014: € 248.3 million); the EUR/USD exchange rate and price effects also had a positive impact here. Sales volume amounted to 0.5 million tonnes (–1%) in Europe and 0.2 million tonnes overseas (–6%).

EBITDA AND OPERATING EARNINGS EBIT I INCREASED

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the business unit amounted to € 689.2 million in the year under review and were thus up € 70.7 million, or around 11%, on the level in the previous year (2014: € 618.5 million).

Operating earnings EBIT I increased by € 57.3 million, or around 12%, to € 546.1 million (2014: € 488.8 million). The favourable exchange rate trends already described and the recovery of our average price had a positive impact on the results, as well as the 'Fit for the Future' programme. The comparable figure in the previous year was boosted by a special item relating to an insurance payment of around € 34 million following the suspension of operations at the Unterbreizbach site.

Depreciation and amortisation amounted to € 143.1 million and increased by € 13.4 million compared with the previous year.

LEGACY PROJECT ON TRACK TO COMMISSIONING IN SUMMER 2016

Legacy is a greenfield project to set up solution mining-based potash production in the southern part of the Canadian province of Saskatchewan. The plant, with the expansion phases completed to date, will achieve an annual production capacity of 2.86 million tonnes of potash products. This will make K+S the only potash producer with its own large production sites on two continents. The new potash plant will expand the German production network significantly, reduce average production costs and extend the average useful life of the K+S potash mines. The Legacy Project will also increase our competitiveness on the international market considerably, which will bring about a positive outcome for the whole of the K+S GROUP.

/ SHORT FILM ABOUT THE LEGACY PROJECT:
www.k-plus-s.com/legacy15en

The main focus in the year under review was the construction of the steel structure of the factory and the installation of main components. A total of four so-called pads were also commissioned for cavern development in the brine field. Pile foundations were laid and initial foundation work carried out in the port of Vancouver.

K+S is well on the way to commissioning the plant as scheduled in summer 2016 and producing the first tonnes of potash later in the year, thus remaining within the investment budget of CAD 4.1 billion. Just under 80 % of the total budget has been spent to date. All key building contracts for the plant and the port facilities have been awarded.

SALT BUSINESS UNIT

/ SHORT FILM ABOUT THE SALT BUSINESS:
www.k-plus-s.com/salz15en

REVENUES AT RECORD LEVEL

The Salt business unit generated revenues of € 1,925.2 million in the year under review, reaching a record level. The increase of over 8 % compared to the previous year (2014: € 1,778.5 million) was mainly currency and price-related. Higher prices were achieved in the industrial salt and food grade salt segments. More severe than usual winter weather in North America at the beginning of the year under review also led to renewed price increases for de-icing salt. This development was accompanied by lower sales volumes due to the warm temperatures at the end of the year. Revenues for de-icing salt of € 771.5 million in the year under review were at the level of the previous year (2014: € 767.9 million). Sales volumes of 11.9 million tonnes were down significantly on the record level in 2014 (14.4 million tonnes), a drop of more than 17 %. **/ TAB: 1.4.19 / FIG: 1.4.11, 1.4.12**

/ MORE INFORMATION: To learn more about the market environment in which the Salt business unit operates, see page 82

Revenues for food grade salt rose by about 20 % to € 401.4 million in the year under review. This increase is due primarily to the EUR/USD exchange rate; price effects in North America also had a positive effect. Sales volumes remained stable at 1.4 million tonnes (2014: 1.4 million tonnes). **/ TAB: 1.4.20**

Revenues for industrial salts, for example fishery, feed and high-purity pharmaceutical salts, showed positive trends in the past financial year, revenues increased by almost 19 % to € 623.9 million due to currency, price and volume effects and also benefitted from an internal reclassification from salt for chemical use to this segment. Especially in North America, higher prices for water softening salt, coupled with solid demand, led to a significant increase in revenues. Overall, the business unit recorded sales of 6.0 million tonnes in this segment, an increase of around 6 % on the previous year (5.6 million tonnes).

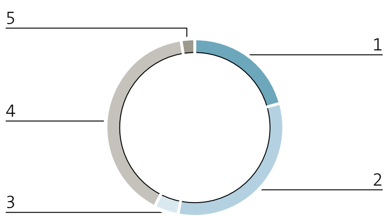
VARIANCE COMPARED WITH PREVIOUS YEAR TAB: 1.4.19

in %	2015
Change in revenues	**+ 8.2**
– volume/structure-related	– 10.6
– price/pricing-related	+ 6.4
– currency-related	+ 12.4
– consolidation-related	—
Food grade salt	+ 20.1
Industrial salt	+ 18.7
Salt for chemical use	– 16.3
De-icing salt	+ 0.5
Other	– 11.9

KEY FIGURES TAB: 1.4.20

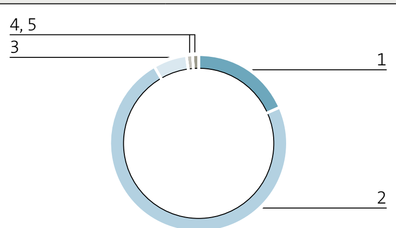
in € million	Q1/15	Q2/15	Q3/15	Q4/15	2015	2014	%
Revenues	727.0	374.0	381.8	442.4	1,925.2	1,778.5	+ 8.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	169.6	70.8	70.6	70.0	381.0	276.0	+ 38.0
Operating earnings (EBIT I)	142.0	42.6	43.2	38.5	266.3	172.9	+ 54.0
Capital expenditure	12.8	17.9	26.3	61.1	118.1	87.5	+ 35.0
Employees as of reporting date (number)	5,086	5,065	5,098	—	5,054	5,075	—

REVENUES BY PRODUCT GROUP FIG: 1.4.11



	in %	2015	2014
1	Food grade salt	20.8	18.8
2	Industrial salt	32.4	29.6
3	Salt for chemical use	4.4	5.6
4	De-icing salt	40.1	43.2
5	Other	2.3	2.8

REVENUES BY REGION FIG: 1.4.12



	in %	2015	2014
1	Europe	18.7	18.9
	– of which Germany	7.0	6.9
2	North America	74.6	73.8
3	South America	6.3	7.1
4	Asia	0.2	0.1
5	Africa, Oceania	0.2	0.1

Revenues of € 83.8 million for salt for chemical use were around 16 % below the value for the previous year (2014: € 100.1 million), due in particular to the reclassification referred to above. Sales volumes at 1.8 million tonnes were therefore also down on the previous year (2.2 million tonnes).

The business unit's sales volumes of 21.1 million tonnes for crystallised salt were just under 11 % below the unusually high level for the previous year (2014: 23.6 million tonnes). / TAB: 1.4.21

SIGNIFICANT INCREASE IN OPERATING EARNINGS EBITDA AND EBIT I

Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 38 % to € 381.0 million (2014: € 276.0 million).

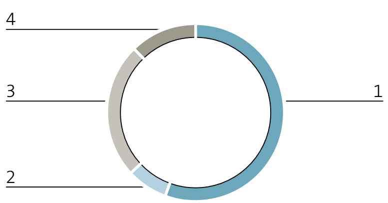
At € 266.3 million, the operating earnings EBIT I of the Salt business unit in the year under review were up more than 54 % on the previous year's figure (2014: € 172.9 million). The sharp increase in earnings is due largely to price increases in the North American de-icing salt business as well as in food grade and industrial salt. Both the favourable EUR/USD exchange rate and 'Fit for the Future' also had a very positive impact; overall, it was possible to more than offset negative volume effects in the case of de-icing salt. Operating earnings EBIT I include depreciation and amortisation of € 114.7 million (2014: € 103.1 million). This increase is mainly currency-related.

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES[1] TAB: 1.4.21

		Q1/15	Q2/15	Q3/15	Q4/15	2015	2014	%
De-icing salt								
Revenues	€ million	448.5	79.4	91.5	152.1	771.5	767.9	+0.5
Sales volumes	t million	6.89	1.22	1.48	2.29	11.88	14.38	–17.4
Average price	€/t	65.1	65.1	61.7	66.5	64.9	53.4	+21.6
Industrial salt, salt for chemical use and food grade salt								
Revenues	€ million	265.4	284.6	279.6	279.4	1,109.1	959.9	+15.5
Sales volumes	t million	2.23	2.36	2.26	2.38	9.22	9.24	–0.2
Average price	€/t	119.2	120.3	124.0	117.6	120.3	103.9	+15.7

[1] Revenues include prices both inclusive and exclusive of freight costs. Prices are also affected by exchange rate changes and the respective product mix and should therefore be taken as a rough indication only.

REVENUES BY UNIT FIG: 1.4.13



	in %	2015	2014
1	Waste Management and Recycling	55.8	57.2
2	K+S Transport GmbH	7.5	6.8
3	Animal Hygiene Products	24.7	25.0
4	CFK (Trading)	12.0	11.0

COMPLEMENTARY ACTIVITIES

REVENUES STABLE

At € 157.7 million, revenues for Complementary Activities were more or less at the level of the previous year (2014: € 158.3 million). In accordance with IFRS, internal revenues deriving from services rendered to K+S GROUP companies are not included in these figures. If these internal revenues are included, total revenues for the year under review amounted to € 188.7 million (2014: € 190.2 million).

/ TAB: 1.4.22, 1.4.23 / FIG: 1.4.13, 1.4.14

Revenues fell from € 90.5 million to € 87.9 million in the Waste Management and Recycling segment in the year under review, mainly as a result of lower volumes. Revenues for K+S TRANSPORT GMBH were up slightly compared with the previous year at € 11.9 million (2014: € 10.8 million). Revenues in the Animal Hygiene Products segment of € 39.0 million were close to the previous year's levels (2014: € 39.5 million). The CFK trading business recorded an increase in revenues to € 18.9 million (2014: € 17.5 million).

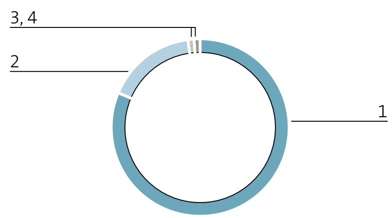
EBITDA AND OPERATING EARNINGS EBIT I

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for Complementary Activities amounted to € 35.0 million in the year under review and remained roughly at the same level as in the previous year (2014:

VARIANCE COMPARED WITH PREVIOUS YEAR TAB: 1.4.22

in %	2015
Change in revenues	**–0.4**
– volume/structure-related	–1.4
– price/pricing-related	+1.0
– currency-related	—
– consolidation-related	—
Waste Management and Recycling	–2.9
K+S Transport GmbH	+10.2
Animal Hygiene Products	–1.3
CFK (Trading)	+8.0

REVENUES BY REGION FIG: 1.4.14



in %		2015	2014
1	Germany	83.0	83.0
2	Rest of Europe	16.8	16.7
3	Asia	0.1	0.3
4	Africa, Oceania	0.1	—

KEY FIGURES TAB: 1.4.23

in € million	Q1/15	Q2/15	Q3/15	Q4/15	2015	2014	%
Revenues	41.3	39.6	38.0	38.8	157.7	158.3	– 0.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10.0	9.0	8.0	8.0	35.0	34.3	+ 2.0
Operating earnings (EBIT I)	7.7	6.7	5.7	6.3	26.4	24.2	+ 9.1
Capital expenditure	0.4	0.8	2.2	3.1	6.5	5.1	+ 28.1
Employees as of reporting date (number)	282	284	282	—	281	289	– 2.8

€ 34.3 million). Operating earnings (EBIT I) amounted to € 26.4 million and were thus around 9 % above the level in the previous year (2014: € 24.2 million). Whilst the operating earnings of the Waste Management and Recycling segment and CFK (Trading) fell mainly on account of volumes, the figures for K+S TRANSPORT GMBH and the Animal Hygiene Products segment were up. Depreciation and amortisation of € 8.6 million was down significantly on the level in the previous year of (€ 10.1 million), which was adversely affected by a special write-down of a terminal site at the Philippsthal location.

OTHER EVENTS

On 2 July 2015, the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT opted to reject the unsolicited takeover bid, subject to due diligence, from Canadian fertilizer company, POTASH CORPORATION OF SASKATCHEWAN INC. (POTASHCORP), to acquire all K+S shares at a price of € 41 per share. Following a thorough review, both boards decided that the proposed transaction did not reflect the fundamental value of K+S and was not in the best interests of the Company. On 5 October 2015, POTASHCORP withdrew its offer.

On 9 and 10 September 2015, officials from the Meiningen public prosecutor's office searched the business premises of several K+S GROUP companies. The searches were conducted on the basis of a complaint lodged by the Thuringian municipality of Gerstungen back in 2008. This complaint was filed in relation to the allegedly unlawfully approved injection of saline wastewater into the plate dolomite of the Gerstunger trough (Thuringia) and the recovery thereof during the period of 1999 to 2007. Despite pressed charges in the meantime, the Company remains firmly convinced that the licences were rightfully granted.

ASSESSMENT OF THE CURRENT ECONOMIC SITUATION BY THE BOARD OF EXECUTIVE DIRECTORS [1]

The situation of the industry in which the Potash and Magnesium Products business unit operates has been

[1] As of: 26 February 2016.

strained, particularly since the second half of 2015, due to an economic slowdown in the emerging market countries and declining soft commodity prices. Nevertheless, we have acquitted ourselves well overall in both business units on account of our unique product portfolio and, with EBIT I of € 781.6 million in the 2015 financial year, were able to exceed the previous year's result significantly (2014: € 641.3 million). We thus achieved our forecast from March 2015. Adjusted earnings per share increased to € 2.83 compared with € 1.92 in the previous year. The reasons for the positive development were the higher average prices in both business units as well as a favourable EUR/USD exchange rate. Savings associated with the 'Fit for the Future' programme once again had a positive influence on the result.

The Potash and Magnesium Products business unit recorded persistent price pressure on products containing potash at the beginning of 2016, particularly in overseas regions. In the Salt business unit, demand for de-icing salt was restrained due to the weather conditions.

1.5 SUBSEQUENT EVENTS

No further significant changes have occurred in the economic environment or in the position of the industry since the end of the financial year.

1.6 RISK AND OPPORTUNITY REPORT

K+S regularly encounters developments and events that may have both a negative and a positive impact on the assets, liabilities, financial position or earnings position. We define risks as the possible occurrence of developments and events, which may adversely affect the achievement of our short and mid-term goals as well as our strategic goals. 'Opportunities' are essentially viewed as potential future internal and external developments or events that may have a positive impact on the achievement of our business and financial objectives. Both risks and opportunities can therefore lead to deviations from our planning.

MANAGEMENT PROCESS

IDENTIFICATION

Potential risks and opportunities are generally identified in the respective corporate departments using various tools. There are a number of tools available for this purpose. We look closely at current business operations and project management, evaluate information from our customers, suppliers and institutions, relevant revenue/cost elements and mining activities and observe risk indicators and success factors from the economic, legal and political environment.

/ **MORE INFORMATION:** see section 'Declaration on Corporate Governance', page 51

ASSESSMENT AND MANAGEMENT

Standard methods are used to assess the risks and opportunities identified in terms of the likelihood of their materialisation and in terms of potential financial impact. This allows us to set priorities and allocate resources appropriately, such as capital and/or personnel for measures to neutralise risks and promote opportunities.

The potential for gross loss is initially assessed in terms of financial impact for each risk. The next step involves developing suitable counter-measures, taking account of alternative risk scenarios. The aim is to reduce the loss potential and the likelihood of materialisation. The decision whether to implement the measures also takes account of the actual costs required. Risks can be transferred to a third party here (by taking out insurance, for example). If the gross loss potential can be reliably reduced by implementing effective and appropriate counter-measures, the focus of consideration will be on the net loss potential affecting the operating result. Risks are assessed both for the current year and for a planning interval of a subsequent two years. The longer-term impact will also be assessed.

To assess their financial impact, each opportunity is examined in terms of its feasibility, economic efficiency and any risks that may be associated with it. Suitable supportive measures are specifically sought, followed up and implemented in order to exploit opportunities.

The utility potential only applies to the net perspective following implementation of suitable supportive measures. The assessment periods are exactly the same as those used for risk assessment.

REPORTING

Risk and opportunity reporting is based on a threshold concept. This involves the corporate departments reporting risks and opportunities to the Board of Executive Directors regardless of their likelihood of materialisation, if defined thresholds for loss and/or utility potential are reached.

In the context of risk reporting, risks of similar type are combined at Group level upwards of a net loss potential of € 10 million. The same applies to the reporting of opportunities.

Risks and opportunities with a likelihood of materialisation of over 50 % are taken into consideration in the annual forecast and mid-term planning with a corresponding deduction from or surcharge on earnings and are therefore not the subject of risk and opportunity reporting.

Every quarter, the Board of Executive Directors and the relevant managers receive an overview of the current risk situation as part of standard reporting. Significant risks that arise in the short term are communicated directly to the Board of Executive Directors, immediately if these are urgent. The Supervisory Board is also briefed by the Board of Executive Directors on a regular basis and in a timely manner and immediately in urgent cases. Potential for opportunities is reported once a year.

RISK MANAGEMENT IN RELATION TO THE UTILISATION OF FINANCIAL INSTRUMENTS (IFRS 7)

We aim to limit financial risks (for example, exchange rate risk, interest rate risk, risk of default and liquidity risk) through special management. To this end, centralised finance management has been set up in K+S AKTIENGESELLSCHAFT. We additionally manage our capital structure in order to secure the financing of business operations and investment activities at all times and in the long term.

/ MORE INFORMATION: see section 'Financial Position', page 89

Our international business activities can give rise to currency-related revenue risks, which we counteract through hedging transactions as part of currency management. Internal regulations determine the permitted hedging strategies as well as hedging instruments, responsibilities, processes and control mechanisms. Other market price risks may result from changes in interest rates. Similar regulations apply insofar as derivative financial instruments are used in a targeted way for hedging purposes. Financial transactions are only conducted with appropriate partners. The suitability of partners and compliance with position limits are constantly reviewed through regular monitoring. A balanced distribution of derivative financial instruments across various banking institutions is implemented to further limit the risk of default.

The instruments selected are used exclusively to economically secure underlying transactions, but are not used for trading or speculation purposes. Hedging transactions are entered into, firstly, for already existing underlying transactions. Our intention here is to largely avoid exchange rate risks arising from recognised underlying transactions (normally receivables). Secondly, we enter into hedging transactions for future business, which can be anticipated with a high level of probability based on empirically reliable findings (forecast hedges).

/ MORE INFORMATION: see Notes to the Consolidated Financial Statements, page 151

RISKS AND OPPORTUNITIES FOR 2016 – 2018

Risks and opportunities which could impact the earnings, financial or asset position of K+S during the mid-term planning period and have not yet been taken into account in planning are listed and described in the following section. Net loss and utility potential is differentiated as follows.

+ Significant financial impact: > € 200 million
+ Moderate financial impact: € 10 – 200 million

The relevant likelihood of materialisation is differentiated as follows:

+ Possible: 5 – 50 %
+ Unlikely: < 5 %

A change in the framework conditions in comparison to the assumptions made in our mid-term planning may result in a reassessment of risks and opportunities in due course, which is then communicated accordingly in our interim reporting.

OVERVIEW OF RISKS

The following table provides an overview of risks with significant and moderate net profit potential, the likelihood of their materialising and their financial impact. / TAB: 1.6.1

OVERVIEW OF OPPORTUNITIES

The following table provides an overview of opportunities with significant and moderate net profit potential, the likelihood of their materialising and their financial impact. / TAB: 1.6.2

RISKS TAB: 1.6.1

	Net loss potential	Likelihood of materialisation
External and sector-specific risks		
Macroeconomic developments	Significant	Possible
Increased supply / reduced demand	Significant	Possible
Weather-related decrease in demand	Significant	Possible
Risks arising from changes in the legal environment		
Management planning in accordance with the Water Framework Directive or change, refusal or revocation by a court of official licences for the disposal of liquid and solid production residues	Significant	Possible
Increased requirements regarding the outdoor storage of de-icing salt in North America	Significant	Possible
Requirement for collateral security under mining law	Moderate	Possible
Change in occupational exposure limit values	Moderate	Possible
Tightening of existing regulations on the underground disposal of mining wastes	Moderate	Possible
Operational risks		
Legacy Project	Moderate	Possible
Loss of suppliers and supply bottlenecks	Moderate	Unlikely
Energy costs and energy supply	Moderate	Possible
Freight costs and availability of transport capacity	Moderate	Possible
Production equipment	Moderate	Possible
Carbon dioxide pockets in deposits	Moderate	Possible
Damage due to rock bursts	Significant	Unlikely
Water ingress	Significant	Unlikely
Personnel	Moderate	Unlikely
Compliance	Significant	Unlikely
IT security	Moderate	Unlikely
Financial risks		
Currency / exchange rate fluctuations	Significant	Possible
Liquidity	Significant	Unlikely
Change in the general interest rate level	Moderate	Possible

RISKS (CONTINUED) TAB: 1.6.1

	Net loss potential	Likelihood of materialisation
Default on receivables from customers	Moderate	Unlikely
Default in financial transactions	Moderate	Unlikely
Downgrading of the company rating	Moderate	Possible

OPPORTUNITIES TAB: 1.6.2

	Net profit potential	Likelihood of materialisation
External and sector-specific opportunities		
Macroeconomic developments	Significant	Possible
Price increase	Significant	Possible
Weather-related increase in demand	Significant	Possible
Operational opportunities		
Market penetration, market development, expansion in capacity, cost optimisation, acquisitions and/or strategic partnerships	Significant	Possible
Energy costs	Moderate	Possible
Financial opportunities		
Currency/exchange rate fluctuations	Significant	Possible
Change in the general interest rate level	Moderate	Possible
Upgrading of the company rating	Moderate	Possible

EXTERNAL AND SECTOR-SPECIFIC RISKS AND OPPORTUNITIES

MACROECONOMIC DEVELOPMENTS

Demand for potash and magnesium products is influenced by economic growth and the associated rising standards of living in the regions relevant to us, trends in soft commodity prices and, in part, also by political decisions in some consumer countries.

In spite of slower economic growth in 2015, the international prices of agricultural products should, in our opinion, continue to remain at a level that will provide farmers with an incentive to increase their yield per hectare also through optimum use of plant nutrients. However, there is a risk that the growth of the emerging market countries will continue to slow down and/or that the sovereign debt crisis in the eurozone will intensify once again. If this should lead to agricultural prices falling to a level that triggers uncertainty among farmers about their future income situation, it could negatively impact their demand for plant nutrients. We would respond to such a situation with needs-based production management where appropriate

What impact this will have on the Company depends on the duration and intensity of the respective scenario. By contrast, the impact of the general economic situation on demand for de-icing, food grade and industrial salts is of minor importance, since this business is largely independent of economic conditions.

The future macroeconomic situation described on page 114 of this report has a bearing on our business. The mid-term planning of K+S is based on the expectations stated in the forecast report, and therefore the assessment of the future macroeconomic situation is integrated directly into the forecast for 2016.

Should the global economy develop better than expected and growth prove to be higher, especially in our main sales regions of Europe, North America, Brazil and South East Asia, this could lead to significant positive variance in relation to planning.

INCREASED SUPPLY/REDUCED DEMAND

Primarily products from our Potash and Magnesium Products business unit could be threatened by considerable decreases in demand as a result of external influences.

Changes on the supply side could arise as a result of capacity expansion. New and existing producers are in the process of expanding their production capacities based on their forecasts for long-term growth in demand on the global potash market. Should the market not be ready to absorb all of these additional volumes, this could increase competitive pressure during a transitional period. Furthermore, the producers may attempt to gain additional market share or regain lost market share by increasing supply within given capacity. Similar effects could arise on the demand side as a result of a further consolidation of significant buyers or deliberate buying restraint on the part of our customers.

Major changes in capacity and its utilisation, increases in supply from individual producers within available capacities as well as decreases in demand could substantially affect pricing and/or sales prospects. This may disrupt the existing structure of the entire plant nutrient market significantly, even resulting in the squeezing out of supply-side competition. Consequently, a drop in potash prices and/or volumes cannot be ruled out.

To increase competitiveness, we are working to further improve our cost and organisational structures as well as bolster our specialty products.

What impact this will have on the Company depends on the duration and intensity of this event. Since the development of new potash capacities is highly capital-intensive and takes many years to implement, there would be an incentive for the producers to obtain an attractive premium on the deployed capital. We see the long-term drivers as retaining their relevance: Demand for agricultural products and thus for plant nutrients depends on megatrends such as the growing world population, a rising standard of living in the emerging market countries and the development of the bioenergy sector. Plant nutrients, which increase yields and enhance quality, therefore will also play a key role in agricultural production going forward.

PRICE INCREASE

Generally speaking, opportunities with a significant positive impact lie in demand for potash and magnesium products. If farmers utilise any additional available uncultivated land or increase the intensity of existing cultivation, this would require greater use of plant nutrients and could, in future, result in global demand for potash fertilizers rising faster than forecasted. In addition, the trend towards balanced fertilisation involving the use of the main nutrients (nitrogen, potassium and phosphate) in key sales regions, such as India and China, could lead to disproportionate growth in demand for potash. While positive price effects are unlikely over the short term on the back of heightened competition, they are possible in the medium term. The financial impact depends highly on the size of the price increase.

WEATHER-RELATED DECREASE IN DEMAND

A sales volume risk for the Potash and Magnesium Products as well as Salt business units may arise in particular as a result of the seasonality of demand, especially due to the dependence on weather conditions. Prolonged cold and wet weather conditions during the spring season, which is particularly important for Europe, may, for example, lead to shifts in or even declining sales of plant nutrients. Likewise, mild winters in the main sales regions for de-icing salt (Europe, North America) may reduce the sales volumes for this product group considerably.

We are responding to these fluctuations with regional diversification, needs-based production management and flexible working hour models. We are not using special derivatives to hedge this risk because we still consider current market terms for these instruments to be unattractive.

Adverse effects may have a moderate impact on the expected earnings when viewed over a year. Should such negative weather conditions occur during the mid-term period, this could have significant adverse effects.

WEATHER-RELATED INCREASE IN DEMAND

In the Salt business unit, the weather in the de-icing salt regions of Europe and North America is of particular relevance. Our planning in this respect is based on the rolling average for the past ten years. Above average severe winters in the de-icing salt regions of K+S could have a moderate financial effect on the development of Company revenues and earnings when viewed over a year. Should such positive weather conditions be repeated during the mid-term period, this could open up major opportunities.

RISKS ARISING FROM CHANGES IN THE LEGAL ENVIRONMENT

A large number of licences and permits are required under public law for the exercise of our activities, particularly in the areas of mining/extraction/processing and disposal of residues. The framework for the granting of these licences and permits is firmly entrenched in European and national environmental, water and mining legislation with respect to production in Germany and Europe. The importance of these legislative frameworks will increase further in the future.

There is a risk for all activities requiring approval that third parties will appeal against licences or permits after they have been granted and that these will be revoked by courts. Furthermore, extensions of existing licences and permits or new ones granted may be restricted in terms of time and scope, permanently amended or refused or further conditions may be attached.

MANAGEMENT PLANNING IN ACCORDANCE WITH THE WATER FRAMEWORK DIRECTIVE OR CHANGE, REFUSAL OR REVOCATION BY A COURT OF OFFICIAL LICENCES FOR THE DISPOSAL OF LIQUID AND SOLID PRODUCTION RESIDUES

In the Potash and Magnesium Products business unit, liquid residues (saline wastewater) as well as solid residues arise both from current production and as a result of rainfall on the tailing piles. The solid residues are either placed onto our piles or placed underground. Saline wastewater is discharged into rivers and some is injected into underground layers of rock (plate dolomite).

The management plans based on the European Water Framework Directive and German water legislation impose significant framework conditions for the above- mentioned means of disposal of residues from the German sites. For the next few years, management plans for the second management period of 2015–2021 by the individual river authorities are relevant in this regard.

/ **MORE INFORMATION:** see section ‘Environment’, page 43

On 15 December 2015, the Weser River Basin Association (FGG Weser) ratified draft texts for a detailed management plan as well as a comprehensive programme of measures for 2015–2021 in accordance with the EU Water Framework Directive. These draft texts will serve as the basis for a resolution to be adopted by the environment ministers of the German federal states party to the Weser River Basin Association; this is expected for March 2016. Once the resolution has been adopted, the national management plans will be reported to the European Commission.

If the items referred to in the draft texts (especially as this relates to target values and restrictions on the flow rate capacity of a long-distance pipeline) also appear in the text of the final management plan for the period of 2015–2021, and they are deemed binding by the administrative authorities in the state of Hesse with respect to future decisions, risk regarding the granting and retaining of operating licences, planning decisions approving public works and water permits cannot be ruled out.

On 18 December 2015, the regional council of Kassel issued a temporary ruling (with effect until31 December 2016) on saline wastewater disposal with respect to the pumping of saline wastewater from the Werra plant. Under the terms of this ruling, extreme limitations have been placed on the use of the plate dolomite (up to 725,000 m³ in the above-mentioned period). No final decision has been made on the more extensive application from 30 April 2015; this is expected in the summer of 2016. Until then, the production and disposal of unavoidable saline wastewater will primarily be aligned to the water flow of the Werra. It is not possible to rule out temporary production restrictions at individual locations at the Werra plant, especially when water levels are low. As a precautionary measure, a company agreement regarding framework conditions for reduced working hours was concluded for this reason. We continue to believe that the agency will ultimately decide to allow us to manufacture potash at the Werra plant with no reductions in production. The discharge of saline wastewater into the Werra is approved until the end of December 2020 as of today. K+S continues to work hard on measures for water protection. The aim of said measures is to safeguard the associated jobs and maintain added value over the long term by means of further large-scale investments, to reduce stress on the Werra and Weser and to ensure the future viability of the potash sites in the Hesse-Thuringia potash district.

If, contrary to expectations, circumstances arise that give cause to expect an adverse effect on usable groundwater resources, or if appeals against existing permits were to be successful, this could lead to existing permits being restricted or withdrawn. The resulting consequences could lead to significant additional costs and / or considerable production cuts at the locations affected.

If licences and permits for the stockpiling of residues are revoked or necessary projects for the expansion of tailing piles are not approved or are only approved subject to unreasonably high requirements, it would not be possible to dispose of the solid residues. We consider the complete refusal or the withdrawal of all existing licences and permits for said stockpiling to be unlikely, as this is compatible with the legal and statutory frameworks, it represents the state of the art and there is governmental and broad political support in the federal states relevant to us for the preservation of potash mining in Germany. The applicable legal framework grants the responsible approval authorities administrative discretion.

/ **MORE INFORMATION:** see section 'Pile Management', page 47

Individual licences and permits that are due to expire may not be extended or could only be granted to a limited extent. In the worst case scenario, this could result in an adjustment of production levels and possibly the closure of the locations affected with considerable negative staffing consequences. This, in turn, would result in long-term significant adverse effects on the earnings, financial or asset position of K+S.

INCREASED REQUIREMENTS REGARDING THE OUTDOOR STORAGE OF DE-ICING SALT IN NORTH AMERICA

In the past, there have been no special environmental protection requirements regarding the outdoor storage of de-icing salt in North America. However, more and more individual states and local authorities are now moving towards defining corresponding mandatory standards.

We have therefore launched an internal programme in conjunction with environment experts that carries out environmental audits to determine whether owned and leased stockpile locations comply with the new local requirements. As a result of stricter local requirements, comprehensive measures may be required, including indoor storage.

REQUIREMENT FOR COLLATERAL SECURITY UNDER MINING LAW

The requirement for collateral security under mining law is subject to the dutiful discretion of the acting authorities; collateral security is currently usually provided through declarations of backing or group guarantees. In terms of proportionality, there are no grounds for other collateral security in our opinion. If collateral security had to be lodged, funds would be tied up and this could limit the Company's financial leeway.

CHANGE IN OCCUPATIONAL EXPOSURE LIMIT VALUES

The implementation of proposals by the EU Commission on setting indicative occupational exposure limit values for nitrogen monoxide (NO), nitrogen dioxide (NO_2) and carbon monoxide (CO) could pose risks to our mining activities in Germany. If insufficient consideration is given to conditions in underground production, additional operational measures and significant investment may be required. These may also be necessary if there is the expectation that lower threshold values currently being debated at a national level will be imposed on diesel particulate emissions.

TIGHTENING OF EXISTING REGULATIONS ON THE UNDERGROUND DISPOSAL OF MINING WASTES

If underground waste disposal is used, the Closed Cycle and Waste Management Law (KrWG) and the German Federal General Mining Ordinance (ABBergV) must be observed. The existing regulations currently vary from one federal state to another. A tightening of the regulations may result in higher costs for the underground disposal of mining wastes, as it may then only be possible to store wastes with mineral properties underground. This would have the effect of driving up disposal costs as well as the costs required to close down mining sites.

OPERATIONAL RISKS AND OPPORTUNITIES

MARKET PENETRATION, MARKET DEVELOPMENT, EXPANSION IN CAPACITY, COST OPTIMISATION, ACQUISITIONS AND/OR STRATEGIC PARTNERSHIPS

We do not see major additional internal growth opportunities in the medium term at the Potash and Magnesium Products business unit beyond those outlined in our planning assumptions that would allow us to expand our market share in existing markets or to enter new ones. By contrast, such opportunities could result from corporate acquisitions and/or joint ventures.

In the Salt business unit, we are attempting as part of our growth strategy to increase our market share in existing markets by generating higher revenues from our existing customer base and/or by acquiring new customers. Likewise, we are reviewing whether it would be possible to leverage our products to enter new sales regions. For example, Asia offers significant long-term prospects, especially in the pharmaceutical and chemical sectors. According to estimates, half of all global demand for salt will come from this region by 2018. We are reviewing other options to share in this growth.

The two business units will closely review possibilities to optimise costs (e.g. by way of process digitisation at the underground mines or by increasing the efficiency of machinery, processes and organisational structures) on an ongoing basis.

LEGACY PROJECT

K+S POTASH CANADA is currently building a new solution mine in the Canadian province of Saskatchewan (Legacy). On-schedule completion of the project will be ensured by an experienced project team as well as efficient project organisation. A thorough controlling process and regular reporting will ensure that deviations can be identified early and appropriate counter-measures introduced in good time. Moreover, implementation of the project will be optimised on an ongoing basis and residual risks identified.

/ **MORE INFORMATION:** see section 'Company Profile', page 21

If, as the project progresses, significant deviations should arise in relation to the assumptions made as part of basic and detailed engineering, this could significantly increase the capital requirement which is generally not quantifiable until construction has been completed. This would lead to higher payment outflows and bring about increasing depreciation and amortisation in the future. Economic efficiency would also deteriorate if the increase in the capital requirement could not be offset by operating cost savings or improved operating business. Furthermore, in the construction phase, a delay or legislative approval influences may lead to the expected production volume only being available at a later point in time. Insofar as both these risk factors materialise in combination with each other and depending on the length of the delay and the amount of additional capital required, this could have a significant impact. We believe this scenario to be unlikely at the present time due to progress made in the project. A materialisation of risk with a moderate impact cannot be ruled out due to the size of the project, and is therefore possible.

LOSS OF SUPPLIERS AND SUPPLY BOTTLENECKS

The number of suppliers for raw materials, consumables and supplies is limited. In spite of counter-measures in place, supply bottlenecks, non-delivery or delivery boycotts, on which we only have very little influence or no influence at all, could result in the limited availability of raw materials, consumables and supplies, as well as technical equipment and spare parts specific to mining, and thus to a significant increase in costs or to adverse effects on production.

ENERGY COSTS AND ENERGY SUPPLY

The energy costs of K+S are determined particularly by the consumption of natural gas. This applies in varying degrees to all corporate departments. Energy prices are often subject to sharp fluctuations. Significant energy price increases in comparison to the projected price level defined in planning estimates constitute a price risk and cannot be ruled out in the future. An unexpectedly positive development of energy costs in comparison with projected costs also presents an opportunity for K+S.

/ **MORE INFORMATION:** see section 'Energy/Climate', page 49

The procurement of electricity from third parties only plays a minor role because of the large amount of electricity we generate ourselves. A further increase in the EEG surcharge (German Renewable Energy Act – EEG) as well as a further increase in the EEG surcharge on self-generated electricity could result in cost increases if the EEG is amended.

FREIGHT COSTS AND AVAILABILITY OF TRANSPORT CAPACITY

Our total costs are also influenced by freight costs to a considerable degree. A significant proportion of our products in terms of quantity has, in some cases, to be transported to the customer over long distances. A reduced availability of freight capacity could result in higher actual costs. Furthermore, considerable additional costs arise in the event of increases in oil prices. The heavy reliance of our business operations on transport likewise makes us highly dependent on the respective infrastructure facilities such as ports, roads, railway lines and loading stations. A breakdown or a bottleneck could restrict sales prospects and thus production.

PRODUCTION EQUIPMENT

As a result of operational and accident risks to which facilities, production plants, storage and loading facilities are exposed, business interruptions may occur and personal injury, damage to property or impact on the environment caused as well. Where possible and financially viable, suitable insurance will be taken out with the aim of limiting these risks.

CARBON DIOXIDE POCKETS IN DEPOSITS

Carbon dioxide pockets constitute a latent potential danger in certain mines. Despite our comprehensive safety measures, carbon dioxide may escape from these pockets in an uncontrolled manner. Consequently, there are risks of production restrictions / stoppages as well as personal injury and damage to property.

DAMAGE DUE TO ROCK BURSTS

There is the specific risk at active and inactive mining sites of a sudden subsidence of the earth's surface over a large area that could, in certain circumstances, be severe (rock burst).

Our professional dimensioning of the underground safety pillars based on comprehensive research work serves to secure the stability of the mine workings over a longer period of time, and therefore to prevent rock bursts at active locations. After the closure of a location, preservation measures are carried out, for which appropriate provisions have been made. A constant monitoring of the mine workings provides timely indications, where appropriate, of whether additional measures for the protection of the mine workings and the prevention of damage resulting from mining are necessary.

If a rock burst occurs, in addition to the partial or complete loss of the mine and damage to facilities, it could also result in considerable damage to the property of third parties and in personal injury or death.

WATER INGRESS

Hydrogeological risks generally exist in underground mining operations.

Extensive exploration work is carried out by means of seismology, drilling and ground-penetrating radar in order to secure the mines. The preservation of protective layers and the adequate dimensioning of safety pillars ensure the best possible mine safety. Ongoing, scheduled maintenance activities on the shafts ensure that the risk of groundwater ingress can usually be virtually ruled out. Because the top of a shaft is in a high position, surface water is not expected to flow into mine workings even if flooding occurs.

It is possible to limit hydrogeological risks thanks to the existing safeguards we have instituted; in spite of this, these risks could result in significant damage.

PERSONNEL

Competition for qualified managers and specialists is fierce in all the regions in which we operate. The loss of key employees in strategic positions could constitute a risk. Our future success partly depends on the extent to which we succeed in the long term in engaging and integrating specialist personnel (for example, engineers) and retaining their services to the Company, and in adequately filling management positions. Moreover, we will be facing demographic challenges in the future, especially in Europe and North America. This increases the risk that suitable applicants for vacancies will not be found or that it will take time to find them.

COMPLIANCE

There is a general risk that members of management/ supervisory bodies or employees of the K+S GROUP companies may breach laws, internal regulations or regulatory standards recognised by the Company, with the consequence that K+S suffers the loss of assets or damage to its reputation.

We have established a Group-wide compliance management and a compliance programme, which counters breaches of compliance, including through training on the significant risk fields (for example, anti-trust law and competition law, corruption and money laundering).

/ **MORE INFORMATION:** see section 'Declaration on Corporate Governance', page 51

IT SECURITY

Our IT systems support almost all Company functions to a high degree. The IT security risk lies in the loss of the availability, integrity, confidentiality and authenticity of data due to external attacks (for example, hackers, viruses) and internal risks (for example, technical failure, sabotage), and could lead to serious interruptions to business. We consider a prolonged failure of the IT systems to be unlikely because of our precautionary measures.

FINANCIAL RISKS AND OPPORTUNITIES

CURRENCY/EXCHANGE RATE FLUCTUATIONS

A currency risk results from transactions which are not effected in the currency of our Group reporting (the euro). In the case of this risk, we draw a distinction between transaction and translation risks.

In 2015, the proportion of revenues invoiced in euros and in US dollars was fairly balanced. In addition to this, revenues were also generated in other national currencies (for example, Canadian dollar, Chilean peso and pound sterling). Our earnings are therefore exposed to exchange rate fluctuations. This can lead to the value of the service performed not matching the value of the consideration received in transactions, because income and expenditure arise at different times in different currencies (transaction risks). Exchange rate fluctuations, especially in relation to the US dollar, so far affect the Potash and Magnesium Products business unit, particularly in relation to the level of earnings and receivables. As a result of the capital expenditures of our subsidiary K+S POTASH CANADA in the Legacy Project, the US dollar net position is temporarily reduced. At the same time, however, this gives rise to appreciable risks arising from trends in the exchange rate of the Canadian dollar.

We use derivative financial instruments in order to counter exchange rate risks arising from transactions. Significant net positions are hedged through derivatives, normally options and futures, in the context of transaction hedging. These ensure an absolute worst-case exchange rate. The volumes to be hedged are determined on the basis of revenue and cost budgeting and expected capital expenditure using safety margins and are updated on an ongoing basis in order to avoid excess hedging or hedging shortfalls.

Furthermore, currency effects arise in relation to subsidiaries whose functional currency is not the euro (translation risks), since the earnings of these companies calculated in a foreign currency are translated into euros at average rates and recognised in net profit or loss. However, the net assets of these companies are translated into euros at spot rates. This can result in currency-related fluctuations in the equity of K+S. These translation effects appear mainly in the Salt business unit at present. As the capital expenditure at K+S POTASH CANADA progresses, this will, in turn, affect the Potash and Magnesium Products business unit more strongly.

/ MORE INFORMATION: see section 'Financial Position', page 89, and Notes to the Consolidated Financial Statements, page 151

Conversely, favourable exchange rate and interest rate developments may have a positive impact on earnings and cash flow, thus representing an opportunity.

LIQUIDITY

A liquidity risk consists in the failure to procure the financial means needed to meet payment obligations or in not being able to do so in a timely manner. For this reason, the main goal of our liquidity management is to ensure the ability to make payments at any given time. The liquidity requirement is determined by our liquidity planning and is to be covered by liquid reserves, committed credit lines and other financing instruments.

External factors, especially a general financial crisis, could result in it not being possible to replace credit lines or bonds on acceptable commercial terms if the need should arise. There would then be a risk that the expenses associated with procuring liquidity would rise.

Liquidity is managed by the central treasury department using cash pool systems. As of 31 December 2015, the available liquidity amounted to € 1,163.1 million, and consisted of short-term investments with maturities of up to one year and liquid reserves as well as a current syndicated credit line of € 1 billion running until 2020. The available liquidity was therefore significantly above our targeted minimum reserve of € 300 million. In the case of investments, we pursue the goal of optimising the income earned from liquid reserves at low risk. The suitability of partners is monitored to this end.

/ MORE INFORMATION: see Notes to the Consolidated Financial Statements under note (25) 'Financial liabilities', page 176

CHANGE IN THE GENERAL INTEREST RATE LEVEL

Both risks and opportunities arise as a result of changes in the general interest rate level. On the one hand, changes in market interest rates have an effect on future interest payments for liabilities with variable interest, as well as on interest income for investments with variable interest. On the other hand, the market values of financial instruments are affected. An increase in the market interest rate can cause high interest expenses, whereas a decrease in the market interest rate will reduce interest income. However, due to the current financing structure, only a moderate negative impact is expected.

/ MORE INFORMATION: see Notes to the Consolidated Financial Statements, page 157

DEFAULT ON RECEIVABLES FROM CUSTOMERS

We maintain comprehensive business relationships with many customers. If one or more major customer/s is/are not in a position to fulfil their contractual payment obligations towards us, this could result in corresponding losses for us, which could have an adverse effect on the financial position of K+S. Risks arising from payment default are covered across the Group mainly by bad debt insurance. We only waive a security against non-payment following a critical review of the customer relationship and express approval of the competent member of the Board of Executive Directors.

/ MORE INFORMATION: see Notes to the Consolidated Financial Statements, page 162

DEFAULT IN FINANCIAL TRANSACTIONS

Default risks also exist with regard to partners with which we have concluded hedging transactions, credit lines exist or money was invested. A potential failure of a bank or another partner could have an adverse effect on the financial position of K+S.

There is no particular dependency on any individual financial institutions.

UPGRADING/DOWNGRADING OF THE COMPANY RATING

Ratings are used to assess the creditworthiness of companies and are normally issued by external rating agencies. The rating provides indications of the ability of companies to pay, particularly for credit institutions and institutional investors. It cannot be ruled out that a rating agency might downgrade K+S's credit rating. A downgrade could impact negatively on the costs of (re-)financing for K+S. Conversely, an upgrade in the credit rating – and hence an improvement of the company rating – has a positive effect on the actual costs and availability of the Company's (re-)financing options. K+S has currently asked rating agency STANDARD & POOR's to publish ratings. / TAB: 1.6.3

/ MORE INFORMATION ON STRATEGIC FINANCING MEASURES: page 75

CHANGE IN INDIVIDUAL RISKS AND OPPORTUNITIES COMPARED WITH THE PREVIOUS PERIOD

Essentially, there has been no further evaluation with regard to the likelihood of materialisation and/or the potential impact of the risks already reported in the previous periods. Risks in relation to the disposal of liquid production residues, with pricing and with occupational exposure limit values continue to increase. Due to progress made in the project, we consider the only potential risks with respect to our new Legacy production facility to be those with a moderate impact. The likelihood of materialisation regarding personnel-related risks is reduced to 'unlikely' following routine review. A tightening of existing regulations on the underground disposal of mining wastes has been identified as a new risk. The risk of a legal dispute in the US has been eliminated on the back of an out-of-court settlement.

DEVELOPMENT OF CREDIT RATING TAB: 1.6.3

Date	Rating	Outlook
Standard & Poor's		
28 August 2015	BBB	Negative
29 October 2014	BBB	Negative
29 April 2014	BBB	Negative

In our view, there are fewer opportunities with a significant impact arising from an increase in the price of fertilizers over the short term in view of current market conditions; however, such opportunities remain possible in the medium term. At the present time, there are no appreciable opportunities that can be identified to reduce freight costs in comparison to the previous period. Conversely, we see opportunities in connection with cost optimisation, acquisitions and/or strategic partnerships.

ASSESSMENT OF RISK AND OPPORTUNITY POSITION BY THE BOARD OF EXECUTIVE DIRECTORS

The risk and opportunity position is assessed on the basis of the findings of our risk and opportunity management system in conjunction with the planning, management and monitoring systems in place.

With regard to the respective likelihood of materialisation and the potential financial impact of the risks discussed, and on the basis of the findings of our mid-term planning, the Board of Executive Directors does not at the present time expect any future development where the risks, whether individually or in conjunction with other risks, could have a lasting and adverse influence on the earnings, financial or asset position of K+S that could jeopardise its existence. However, the risk position of K+S has risen in comparison with the previous year due to weakness on the potash market and uncertainties regarding the legal framework.

The mid-term opportunity position of K+S is virtually unchanged compared with the previous year. We are confident that K+S's operational strength provides a solid foundation for our future business growth and that the resources necessary to take advantage of the opportunities are available.

In the overall outlook, the risk and opportunity position is significantly more strained due to general conditions in the Potash and Magnesium Products business unit compared to the previous year.

1.7 FORECAST REPORT

FUTURE MACROECONOMIC SITUATION

The following discussion about the future macroeconomic situation is based on the assessments of the INTERNATIONAL MONETARY FUND (World Economic Outlook, October 2015; World Economic Outlook Update, January 2016) and of the KIEL INSTITUTE FOR THE WORLD ECONOMY (Kiel Discussion Papers: World Economic Trends Winter 2015, December 2015). / TAB: 1.7.1

Global economic growth should increase slightly in 2016. Experts are assuming that the economic upturn in the developed countries will continue in view of the continued expansionary monetary policies, a gradually increasing wage level, progress in reducing debt in the private sector and a low price of crude oil. In the emerging market countries, however, the consistently low price level for raw materials and structural problems may slow down the prospects for growth.

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT TAB: 1.7.1

in %; real	2016e	2015	2014	2013	2012
Germany	+1.3	+1.4	+1.4	+0.5	+0.9
European Union (EU–28)	+1.8	+1.6	+1.3	+0.0	–0.3
World	+3.4	+3.1	+3.4	+3.3	+3.2

Source: IMF

FUTURE INDUSTRY SITUATION

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

In the future, too, it will only be possible to meet the increasing demand for soft commodities in light of a constantly growing global population, changing eating habits and limited arable land by intensifying fertilizer application. A balanced use of mineral plant nutrients is crucial here and should lead to trends in increased demand for potash. At the same time, in spite of the drops in 2015, the prices of agricultural products are still quoted at a level that should offer sufficient incentives to raise yields per hectare through the greater use of fertilizers.

For 2016, we are expecting global potash demand at the 2015 level (around 64 million tonnes, including around 4 million tonnes of potassium sulphate and potash grades with a lower mineral content), which was characterised by a certain purchasing restraint particularly at the end of the year. While the prices of fertilizer specialties, such as potassium sulphate (SOP), should remain at a good level and gain stability in Europe with the start of the fertilizer season, an ongoing economic slowdown, full warehouses and high product availability could negatively affect sales volumes and the price level in some overseas regions.

SALT BUSINESS UNIT

The 2015/2016 winter season in North America started out very mild and dry. Demand for de-icing salt was therefore tangibly lower than the long-term average. The reduction in inventory levels has therefore been comparatively slight to date. This could lead to increased competition during the upcoming 2016/17 season tenders. Demand in the industrial salt segment should remain stable or increase slightly. Moderate growth rates are expected particularly for pharmaceutical salts as the population continues ageing. North America is among the leading sales regions for the food grade salt business as well. Consumption is expected to remain largely stable here in 2016. Demand in the chemical industry for salt for chemical use, for instance for chlorine production, should increase in the wake of the robust US economy and lower energy costs.

The start of the 2015/2016 European winter season was also characterised by mild weather and therefore only led to a slight decrease of inventories. The economic situation that is still strained in parts of Europe should have a dampening effect on demand for food grade salt, industrial salt and salt for chemical use. As Europe's largest salt producer, we are well equipped to meet the challenges arising in this market environment.

Our production sites in Chile and Brazil enable us to be in a very good position to continue sharing in the growth in South and Central America. We are anticipating an increase in demand, particularly in the salts for chemical use and industrial salts segment. The demand for salt in Asia once again increased. In spite of more intense competition from India, Australia and Mexico, we are well positioned with high product quality and attractive freight rates to serve this large market, even with our existing production sites.

EXPECTED DEVELOPMENT OF REVENUES AND EARNINGS

The following forecasts relate to the expected organic development of revenues and earnings of the K+S GROUP.

Our assessment for 2016 as a whole is based mainly on the following assumptions:

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

+ Also in 2016, along with intense competition, we are expecting an ongoing difficult economic situation in the emerging market countries, low soft commodity prices and less availability of credit for farmers, particularly in Latin America. Consequently, we are expecting a significant drop in the average selling price for the year as a whole (2015: € 307/t).
+ Due to the restricted licence to inject saline wastewater at the Hattorf site granted in December 2015, production must be aligned to the flow of water in the Werra. In view of this, temporary production restrictions at the Werra plant in the coming months cannot be ruled out until we receive the final decision regarding the longer-term licence which is expected in the summer of this year. Our forecast is therefore based on sales volumes that should be slightly below the level in the previous year (2015: 6.8 million tonnes).

SALT BUSINESS UNIT

+ The prevailing mild weather up to the preparation date should lead to a moderate decline in sales volumes (2015: 21 million tonnes). A moderate increase in sales volumes of industrial salt, salt for chemical use and food grade salt (2015: 9 million tonnes) is not likely to fully offset lower sales volumes of de-icing salt.

K+S GROUP

+ Average spot rate of 1.10 EUR/USD (2015: 1.11 EUR/USD).

REVENUES AND EARNINGS FORECAST

The revenues of the K+S GROUP in the 2016 financial year should be moderately below the figure for the previous year (2015: € 4,176 million) and operating earnings EBITDA and EBIT I should come in significantly below the figure for the previous year (2015: € 1,058 million and € 782 million, respectively). In the Potash and Magnesium Products business unit, a lower average price should lead to a significant drop (2015: € 689 million and € 546 million, respectively). Due to the prevailing mild weather up to the preparation date, the operating earnings of the Salt business unit should be significantly below the figure for the previous year (2015: € 381 million and € 266 million, respectively).

Following a successful start to date, we have continued consistently with the 'Fit for the Future' programme. The sustained improvement of cost and organisational structures aims to increase the efficiency of production administration and sales functions. We are striving for total cost savings of € 500 million between 2014 and 2016 compared with previous planning for this period. The programme is also set to continue making a positive contribution in 2016 compared with previous planning.

Adjusted Group earnings after taxes should follow developments in operating earnings and thus also be significantly lower than in the same period in the previous year (2015: € 542 million).

ANTICIPATED FINANCIAL POSITION AND PLANNED CAPITAL EXPENDITURE

CAPITAL EXPENDITURE MODERATELY LOWER

The K+S GROUP's anticipated capital expenditure for 2016 should remain moderately below the level in the previous year (2015: € 1.3 billion). In the Potash and Magnesium Products business unit, most of the expenditure is again connected to the Legacy Project as well as to investment for reducing the occurrence of saline water in the Hesse-Thuringia potash district. Overall, the figure should be tangibly below the level in the previous year (2015: € 1.1 billion). Capital expenditure in the Salt business unit should increase strongly even though the absolute change in relation to Group volume is small (2015: € 0.1 billion). The adjusted free cash flow of the K+S GROUP is therefore likely to be significantly negative again (2015: € –636 million). The return on capital employed (ROCE) should be significantly lower than the level in the previous year due to a larger amount of capital being tied up as well as the strong fall in earnings (2015: 12.5 %). The Potash and Magnesium products business unit in particular is likely to report ROCE that is significantly below the level in the previous year due to the expected lower prices (2015: 14.4 %), the level in the Salt business unit should decrease significantly (2015: 11.4 %).

EXPECTED DEVELOPMENT OF DIVIDENDS

PROPOSED DIVIDEND FOR THE 2015 FINANCIAL YEAR

Our earnings-related dividend policy is basically reflected in a payout ratio of 40 to 50 % of adjusted Group earnings after taxes. A dividend of € 1.15 per share will be suggested accordingly to the Board of Executive Directors and Supervisory Board at the Annual General Meeting on 11 May 2016 (previous year: € 0.90 per share), which corresponds to an increase of 28 % and a payout ratio of 41 % (previous year: 47 %).

MID-TERM GOAL

LONG-TERM GROWTH PROSPECTS REMAIN INTACT

The Legacy Project in particular, which we are commissioning this year, but also the high expectations of increased profitability in our Salt business in the context of the 'Salt 2020' strategy, provide positive encouragement. In spite of the current dip in the potash market, the mid-term and long-term growth trends remain intact. Based on these assumptions, a Group-EBITDA of € 1.6 billion by 2020 (2015: € 1.1 billion) continues to be our target. We are expecting average annual growth in operating cash flow for this period of at least 10 % (CAGR).

GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE K+S GROUP

The Board of Executive Directors of the K+S GROUP is expecting the operating earnings EBITDA and EBIT I of the K+S GROUP for the 2016 financial year to be significantly below similar results from the previous year. A significantly lower average price in the Potash and Magnesium Products business unit is likely. The anticipated volume of capital expenditure for 2016 remains at a high level, due in particular to the expenditure for the Legacy Project, and, consequently, adjusted free cash flow is again likely to be significantly negative.

1.8 K+S AKTIENGESELLSCHAFT (EXPLANATIONS BASED ON THE GERMAN COMMERCIAL CODE (HGB))

The Management Report of K+S AKTIENGESELLSCHAFT and the Group Management Report for the 2015 financial year are combined. The annual financial statements of K+S AKTIENGESELLSCHAFT in accordance with the GERMAN COMMERCIAL CODE (HGB) and the combined Management Report are published simultaneously in the German Federal Gazette (Bundesanzeiger).

DECLARATION ON CORPORATE GOVERNANCE

The Declaration on Corporate Governance in accordance with Section 289a of the German Commercial Code (HGB) is shown on page 51.

REMUNERATION REPORT

The information to be disclosed in accordance with Section 289 (2) (5) of the German Commercial Code (HGB) is provided on page 121.

INFORMATION IN ACCORDANCE WITH SECTION 289 (4) OF THE GERMAN COMMERCIAL CODE (HGB) AND EXPLANATORY REPORT OF THE BOARD OF EXECUTIVE DIRECTORS

Information in accordance with Section 289 (4) of the German Commercial Code (HGB) and the explanatory report of the Board of Executive Directors can be found on page 65.

BUSINESS OPERATIONS, CORPORATE STRATEGY, CORPORATE MANAGEMENT AND MONITORING, OVERVIEW OF THE COURSE OF BUSINESS

Information on business operations, corporate strategy, corporate management and monitoring as well as an overview of the course of business can be found on pages 21–83.

EARNINGS POSITION

At € 118.6 million, revenues of K+S AKTIENGESELLSCHAFT were € 3.2 million above the level in the previous year (2014: € 115.4 million). While revenues in the Animal Hygiene Products and IT segments fluctuated at the level of the previous year, other revenues increased due to an increase in internal Group billing of services to Group companies of € 3.9 million to € 37.3 million (2014: € 33.4 million). / TAB: 1.8.1

Other operating income increased significantly by € 99.7 million to € 181.4 million (2014: € 81.7 million). Income from exchange rate hedging transactions for USD and CAD positions made a significant contribution here.

Other operating expenses increased from € 98.3 million to € 173.7 million. The increase is due inter alia to higher expenses arising from exchange rate hedging transactions as well as to higher exchange rate losses.

Income from investments rose from € 552.4 million in 2014 to € 578.6 million in 2015. The K+S SALZ GMBH profit transfer figure of € 50.0 million (2014: loss of € 0.2 million) contributes significantly to the increase. Other investment income arose inter alia from the profit transfers of K+S KALI GMBH of € 505.1 million (2014: € 533.3 million) and K+S ENTSORGUNG GMBH of € 11.6 million (2014: € 12.1 million) and K+S TRANSPORT GMBH of € 10.6 million (2014: € 6.4 million).

INCOME STATEMENT OF K+S AKTIENGESELLSCHAFT[1] TAB: 1.8.1

in € million	2015	2014
Revenues	**118.6**	**115.4**
Cost of sales	123.0	111.0
Gross profit	**−4.3**	**4.4**
Sales and distribution, general and administrative expenses and research costs	36.7	34.8
Other operating income and expenses	7.7	−16.6
Income from investments, net	578.6	552.4
Interest income, net	−115.8	−120.1
Write-downs of long-term financial assets and securities classified as current assets	−2.5	−0.1
Earnings before income taxes	**426.8**	**385.3**
Taxes on income	153.4	123.4
Net income	**273.5**	**261.8**
Profit carried forward	**—**	**—**
Allocation to revenue reserves	**—**	**79.5**
Accumulated profit	**273.5**	**182.3**

[1] A detailed income statement can be found in the 2015 financial statements of K+S Aktiengesellschaft.

Other interest and similar income fell from € 9.3 million to € 4.1 million. This drop is due essentially to lower income from securities.

Interest and similar expenses fell from € 134.1 million to € 120.1 million mainly due to lower interest expenses for bonds. This was accompanied by expenses from the accumulation of provisions.

Earnings before income taxes of € 426.8 million were tangibly up on the previous year's level of € 385.3 million.

Income after taxes increased by € 11.7 million to € 273.5 million (2014: € 261.8 million).

ASSETS AND FINANCIAL POSITION

Fixed assets increased by € 927.4 million to € 5,625.9 million (2014: € 4,698.5 million). This is due essentially to capital injections in affiliated companies. Consequently, the share of fixed assets in the balance sheet total is 87 % (2014: 78 %). Overall, the balance sheet total was up € 420.2 million in the 2015 financial year to € 6,430.8 million. / TAB: 1.8.2

Current assets fell by € 507.2 million to € 781.5 million (2014: € 1,288.7 million). Receivables from affiliated companies fell from € 828.9 million in the previous year to € 696.7 million. The reason for this drop is, firstly, the current receivables existing on the reporting date in the previous year arising from internal securities transactions, which were paid in the current financial year and, secondly, reduced receivables arising from internal payment transactions (cash pooling). The financing of the Legacy Project is a main reason for the reduction in the securities item by € 234.9 million to € 10.2 million and for the decrease in bank balances from € 150.3 million to € 17.6 million.

The Company reported a positive consolidation difference arising from the offsetting of assets of € 0.9 million (2014: € 8.3 million) resulting from a surplus of cover fund assets for obligations arising from pension commitments.

Equity rose by € 101.2 million compared with the previous year to € 2,279.5 million (2014: € 2,178.3 million). As of 31 December 2015, the equity ratio is 35 % (2014: 36 %). Liabilities to affiliated companies of € 2,373.5 million (2014: € 2,081.7 million) were made up essentially of cash pooling liabilities and loan liabilities. The increase in liabilities from cash pooling resulted in a slight increase in all lia-

BALANCE SHEET OF K+S AKTIENGESELLSCHAFT — ASSETS TAB: 1.8.2

in € million	31. Dec. 2015	31. Dec. 2014
Intangible assets	11.1	14.0
Property, plant and equipment	64.0	60.7
Financial assets	5,550.8	4,623.8
Fixed assets	**5,625.9**	**4,698.5**
Inventories	1.8	1.5
Receivables and other assets	751.9	891.8
Securities	10.2	245.1
Cash on hand and bank balances	17.6	150.3
Current assets	**781.5**	**1,288.7**
Prepaid expenses	**22.5**	**15.0**
Positive consolidation difference arising from offsetting of assets	**0.9**	**8.3**
ASSETS	6,430.8	6,010.6

BALANCE SHEET OF K+S AKTIENGESELLSCHAFT — EQUITY AND LIABILITIES TAB: 1.8.3

in € million	31. Dec. 2015	31. Dec. 2014
Subscribed capital	191.4	191.4
Capital reserve	701.6	701.6
Retained income	1,113.1	1,103.0
Accumulated profit	273.5	182.3
Equity	**2,279.5**	**2,178.3**
Tax provisions	28.6	17.1
Other provisions	198.7	173.0
Provisions	**227.3**	**190.1**
Liabilities	**3,923.4**	**3,641.3**
Deferred expenses	**0.6**	**0.8**
EQUITY AND LIABILITIES	6,430.8	6,010.6

bilities of € 282.1 million to € 3,923.4 million (2014: € 3,641.3 million). The Company reported provisions of € 227.3 million on the reporting date with a predominantly long-term character. The Company's financing comes to a considerable extent from funds available in the long term. / TAB: 1.8.3

DIVIDENDS

K+S AKTIENGESELLSCHAFT reports accumulated profit of € 273.5 million for the 2015 financial year (2014: € 182.3 million).

The Board of Executive Directors intends to propose to the Annual General Meeting on 11 May 2016 that the accumulated profit of K+S AKTIENGESELLSCHAFT from the 2015 financial year be used as presented in Table 1.8.4. / TAB: 1.8.4

APPROPRIATION OF PROFITS [1] TAB: 1.8.4

in € million	2015	2014
Dividend per share (€)	1.15	0.90
Total dividend payment taking into account 191,400,000 no-par value bearer shares eligible for dividend	220.1	172.3
Allocation to retained income	53.4	10.0
Profit carried forward	—	—
Accumulated profit	273.5	182.3

[1] Amounts are rounded.

RESEARCH & DEVELOPMENT

Detailed information about the research and development activities of the K+S GROUP, which relate primarily to holding companies with operating activities, can be found on page 32.

EMPLOYEES

An annual average of 809 employees (2014: 832 employees) were employed at K+S AKTIENGESELLSCHAFT, 17 of whom were trainees (2014: 24 trainees).

RISKS AND OPPORTUNITIES

The business development of K+S AKTIENGESELLSCHAFT is essentially subject to the same risks and opportunities as the K+S GROUP. K+S AKTIENGESELLSCHAFT participates in the risks of its shareholdings and subsidiaries according to its respective interest share. More information can be found in the 'Risk and Opportunity Report' on page 102.

The description of the internal monitoring system with regard to the accounting process of K+S AKTIENGESELLSCHAFT (Section 289 (5) of the German Commercial Code (HGB)) can be found on page 64.

SUBSEQUENT EVENTS

'Subsequent Events' concerning the K+S GROUP and K+S AKTIENGESELLSCHAFT can be found on page 102.

FORECAST REPORT

The earnings development of K+S AKTIENGESELLSCHAFT depends to a large extent on the development of its subsidiaries. The business development forecast for the K+S GROUP can be found in the 'Forecast Report' on page 114.

1.9 RESPONSIBILITY STATEMENT FROM THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

To the best of our knowledge, and in accordance with the applicable principles for financial reporting, the consolidated financial statements and the annual financial statements of K+S AKTIENGESELLSCHAFT give a true and fair view of the asset, financial and earnings position of the Group and K+S AKTIENGESELLSCHAFT, and the combined Management Report includes a fair review of the development and performance of the business and the position of the Group and K+S AKTIENGESELLSCHAFT, together with a description of the principal opportunities and risks associated with the expected development of the Group and K+S AKTIENGESELLSCHAFT.

Kassel, 26 February 2016

K+S AKTIENGESELLSCHAFT
BOARD OF EXECUTIVE DIRECTORS

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 incorrect, or should certain risks – such as those referred to in the Risk Report – materialise, actual developments and results may deviate from current expectations. Apart from the disclosures required by law, the Company assumes no obligation to update the statements contained in this Management Report.

1.10 REMUNERATION REPORT

This report explains the main features of the remuneration systems used for the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT, together with the specific design of the individual components.

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS

REMUNERATION STRUCTURE

The criteria for the appropriateness of remuneration include, in particular, the responsibilities of each member of the Board of Executive Directors, their individual performance, the performance of the Board of Executive Directors as a whole, a comparison with senior executives worldwide and the total workforce, as well as the economic situation, the success and future prospects of the Company, taking into consideration comparable remuneration of their peer group.

The remuneration for the members of the Board of Executive Directors consists of annual elements and those with a long-term incentive character. The annual remuneration elements include both components not related to performance and performance-related components. The components not related to performance consist of fixed remuneration as well as non-cash remuneration and other benefit packages; the bonus is the performance-related part. There is also a variable remuneration component, based on key figures, with a long-term incentive (LTI) character. The members of the Board of Executive Directors also have pension commitments.

Fixed remuneration as basic remuneration not related to performance is paid monthly. In addition to this, the members of the Board of Executive Directors receive fringe benefits, in particular contributions to pension, health and long-term care insurance as well as non-cash remuneration, which consists mainly of the use of company cars.

In order to harmonise the interests of shareholders to a great extent with those of the Board of Executive Directors, part of the bonus is determined on the basis of the return on the total investment of the Group. Moreover, the personal performance of the members of the Board of Executive Directors is taken into consideration when calculating bonuses; these are paid in the following financial year.

The structure of the annual remuneration in a normal year provides for a fixed remuneration of 40 % and variable, short-term performance-related components of 60 %. In addition, 80 % of the variable component is linked to company performance, i.e. to the return on total investment achieved; the remaining 20 % is dependent on personal performance. Variable remuneration of 100 % is reached if the return on total investment achieved reaches at least 115 % of the respective capital cost rate and, secondly, personal performance has been assessed as 100 %. Remuneration based on the return on total investment is capped at a ceiling of 21 percentage points above the minimum return. The target achievement ranges for the two variable remuneration components are between 0 and around 150 %. Moreover, fringe benefits have also been capped since 2013.

/ FURTHER INFORMATION ABOUT THE CALCULATION OF CAPITAL COSTS AND RETURN ON TOTAL INVESTMENT: see page 88

The Chief Financial Officer receives 1.15 times the remuneration of an ordinary member of the Board of Executive Directors and the Chairman of the Board of Executive Directors 1.7 times.

Income can also be drawn from a long-term incentive programme based on key figures as a variable component of remuneration with a long-term incentive and risk character. This is based on a multi-year assessment in accordance with the value contributions achieved. The Company's success is thereby determined on the basis of two four-year periods. The value contribution is derived as follows:

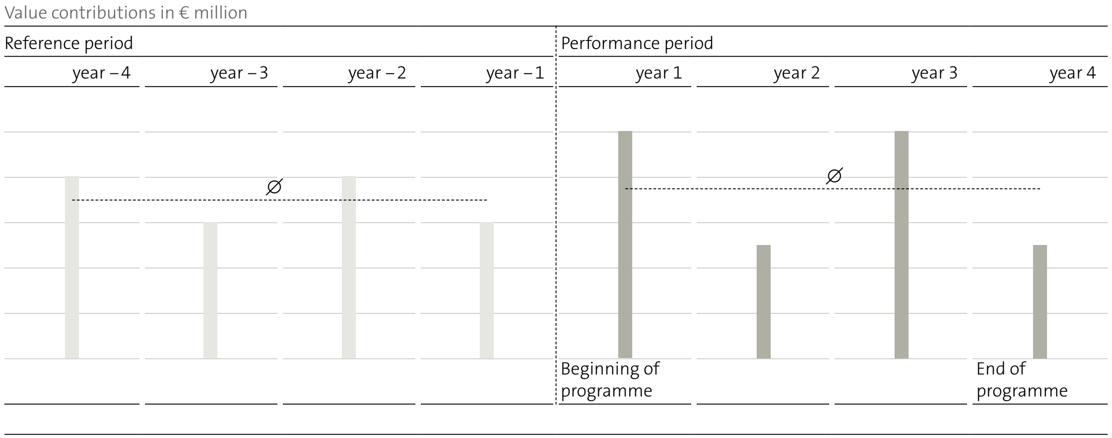
Operating earnings (EBIT I)
+ Interest income for the financial year
– Capital costs (before taxes) for the financial year
= Value contribution

There is a cap for the value contribution at ± € 500 million per financial year.

Two four-year periods (a 'reference period' and a 'performance period') are compared to determine the result for an LTI tranche. The reference period covers the four years prior to commencement of the respective LTI, while the performance period covers the four years of the respective LTI term. The following diagram shows the LTI programme periods: / FIG: 1.10.1

The average of the four value contributions for the reference period is calculated at the beginning of an LTI and the average of the four value contributions for the performance period at the end of the programme. The difference between these average value contributions is reflected as a percentage on a scale from € –200 million to € +200 million. If the value contributions in the reference and performance period are the same, 100 % of the LTI is paid out. In this case, the variable component of remuneration with a long-term incentive character for an ordinary member of the Board of Executive Directors is € 350,000. In the case of underperformance, the payment decreases on a straight-line basis to 0 % in line with the percentage deviation. In the case of overperformance, the payment increases accordingly up to an upper limit of 200 % (= € 700,000). The component of remuneration is 1.15 times that of an ordinary member of the Board of Executive Directors for the Chief Financial Officer and 1.7 times for the Chairman of the Board of Executive Directors.

LTI-PROGRAMME FIG: 1.10.1



Payment is made in April of the year following the end of the programme. In the event of termination of an employment contract or reaching retirement age, a discounted pro-rata payment for all current tranches is normally made in April of the following year. / FIG: 1.10.2

The remuneration system applicable to the Board of Executive Directors was approved by a large majority at the 2010 Annual General Meeting and highlighted by EUROSHAREHOLDERS, the organisation of European shareholder associations, as a particularly shareholder-friendly remuneration system.

A sample calculation of the annual remuneration of a member of the Board of Executive Directors is shown below. / TAB: 1.10.1

REMUNERATION AMOUNT

Details of the individual remuneration of the Board of Executive Directors in the 2015 financial year are shown in the tables below. The difference between the 'Allowances granted' and 'Inflow' tables merely relates to the variable remuneration elements. The Allowances granted table shows amounts that have been promised in the event of 100 % target achievement. The Inflow table, on the other hand, shows amounts that will be

LTI PROGRAMMES 2012 TO 2015 FIG: 1.10.2

in € million	2008[1]	2009	2010	2011[1]	2012	2013	2014	2015	2016	2017	2018	Result
LTI 2012				**Ø 326**				**Ø 234**				Difference = € –92 million
	500	–32	334	500	384	222	102	226	—	—	—	Disbursement[2] = € 188.7 thousand
LTI 2013					**Ø 297**			**not yet complete** (**Ø** to date: **183**)				
	—	–32	334	500	384	222	102	226	—	—	—	
LTI 2014						**Ø 360**			**not yet complete** (**Ø** to date: **164**)			
	—	—	334	500	384	222	102	226	—	—	—	
LTI 2015							**Ø 302**			**not yet complete** (**Ø** to date: **226**)		
	—	—	—	500	384	222	102	226	—	—	—	

Reference period Performance period

[1] In 2008 and 2011, the cap limit was reached on account of extremely good value contributions.
[2] For an ordinary member of the Board of Executive Directors, payment is made in April of the year following the end of the programme.

ILLUSTRATIVE CALCULATION OF THE ANNUAL REMUNERATION OF A MEMBER OF THE BOARD OF EXECUTIVE DIRECTORS TAB: 1.10.1

in €	Target achievement 100 %	Target achievement 0 %	Maximum target achievement
Fixed remuneration: 40 %	400,000	400,000	400,000
Bonus: 60 %	600,000[1]	0[2]	905,000[3]
– of which Company performance: 80 %	480,000	0	725,000
– of which individual target achievement: 20 %	120,000	0	180,000
Annual remuneration	**1,000,000**	**400,000**	**1,305,000**
LTI programme	350,000[4]	0[5]	700,000[6]
Total remuneration	**1,350,000**	**400,000**	**2,005,000**

[1] Return on total investment ≙ minimum return; individual target achievement ≙ 100 %.
[2] Return on total investment ≙ 0 %; individual target achievement ≙ 0 %.
[3] Return on total investment ≥ minimum return + 21 percentage points; individual target achievement ≙ approx. 150 %.
[4] Difference in average value contributions between reference and performance period = € 0 million ≙ 100 %.
[5] Difference in average value contributions between reference and performance period ≤ € –200 million ≙ 0 %.
[6] Difference in average value contributions between reference and performance period ≥ € +200 million ≙ 200 %.

paid in the following year based on the targets that have actually been achieved. / TAB: 1.10.2, 1.10.3

Due to the restricted options for injecting saline wastewater at the combined plant in Werra, the Company reached a combined works agreement according to which the remuneration of the employ-ees affected will be topped-up, in the event that this situation results in short-time working. In a counter move, all non-managerial employees of the K+S GROUP in Germany will waive 5 percentage points of their (short-term) variable remuneration, based on Company success. As a sign of solidarity, virtually all the managers in Germany have subscribed to this waiver on a voluntary basis. The Board of Executive Directors has also signed a waiver declaration. According to this declaration, the ordinary members of the Board of Executive Directors will each waive € 15,000, the CFO € 17,250 and the Chairman of the Board of Executive Directors € 25,500. These amounts correspond – in relation to income from short-term variable remuneration – to the waiver by the workforce.

In the event that the total amount of this remuneration waiver exceeds the volume of the additional top-up amounts in the event of short-time working, corresponding payments of the remaining amount will be made in April 2017.

Mark Roberts receives his remuneration in euros. In order to limit exchange rate risks, a clause has been agreed according to which exchange rate offsetting takes place at the end of each year, in the event that the actual rate of the respective transfers differs from the rate upon signing the contract (EUR 1.00 = USD 1.30) by more than 10 % in individual cases or by more than 5 % on average for the whole year.

On average, the salary of the Board of Executive Directors in the previous year was 5.0 times (2014: 4.9 times) that of senior executives worldwide and 24.7 times (2014: 24.8 times) the total workforce.

In 2015, the Supervisory Board extended the term of office of Board of Executive Directors' member, Dr Thomas Nöcker, to 31 August 2018.

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS (ALLOWANCES GRANTED)

	Norbert Steiner, CEO Member of the Board of Executive Directors since 05/2000			
	2014	2015	2015 (min)	2015 (max)
in € thousand				
Fixed remuneration	620.0	680.0	680.0	680.0
Fringe benefit[1]	26.6	26.8	26.8	26.8
Total	**646.6**	**706.8**	**706.8**	**706.8**
Single-year variable remuneration	930.0	1,020.0	0	1,538.5
Multi-year variable remuneration	525.0	595.0	0	1,190.0
– LTI	525.0	595.0	0	1,190.0
Total	**2,101.6**	**2,321.8**	**706.8**	**3,435.3**
– Service costs	– 133.0[4]	581.8	581.8	581.8
Total remuneration	**1,968.6**	**2,903.6**	**1,288.6**	**4,017.1**

[1] Fringe benefits capped at € 75,000.
[2] A US dollar rate is stipulated for the translation of remuneration. Since payments are initially converted using current rates, offsetting may be required after the end of the year.

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS (INFLOW)

	Norbert Steiner, CEO Member of the Board of Executive Directors since 05/2000	
	2015	2014
in € thousand		
Fixed remuneration	680.0	620.0
Fringe benefits	26.8	26.6
Total	**706.8**	**646.6**
Single-year variable remuneration	994.5[1]	930.0
Multi-year variable remuneration	320.7	747.1
– Programme description (programme term)	2012 – 2015	2011 – 2014
Total[2]	**2,022.0**	**2,323.7**
– Pension expenses	581.8	– 133.0
Total remuneration	**2,603.8**	**2,190.7**

[1] Including waiver.
[2] Total corresponds to the information in accordance with Section 314 of the German Commercial Code (HGB) and German Accounting Standard (DRS) 17.
[3] Including exchange rate offsetting.

TAB: 1.10.2

Dr Burkhard Lohr, CFO Member of the Board of Executive Directors since 06/2012				Dr Andreas Radmacher Member of the Board of Executive Directors since 09/2013				Mark Roberts[2,3] Member of the Board of Executive Directors since 10/2012				Dr Thomas Nöcker Member of the Board of Executive Directors since 08/2003			
2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)
440.0	460.0	460.0	460.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0
23.5	23.4	23.4	23.4	24.6	25.8	25.8	25.8	45.6	52.2	52.2	52.2	24.6	27.3	27.3	27.3
463.5	**483.4**	**483.4**	**483.4**	**424.6**	**425.8**	**425.8**	**425.8**	**445.6**	**452.2**	**452.2**	**452.2**	**424.6**	**427.3**	**427.3**	**427.3**
660.0	690.0	0	1,040.8	600.0	600.0	0	905.0	600.0	600.0	0	905.0	600.0	600.0	0	905.0
385.0	402.5	0	805.0	350.0	350.0	0	700.0	350.0	350.0	0	700.0	350.0	350.0	0	700.0
385.0	402.5	0	805.0	350.0	350.0	0	700.0	350.0	350.0	0	700.0	350.0	350.0	0	700.0
1,508.5	**1,575.9**	**483.4**	**2,329.2**	**1,374.6**	**1,375.8**	**425.8**	**2,030.8**	**1,395.6**	**1,402.2**	**452.2**	**2,057.2**	**1,374.6**	**1,377.3**	**427.3**	**2,032.3**
419.7	586.1	586.1	586.1	392.8	541.7	541.7	541.7	423.6	526.5	526.5	526.5	331.9	419.3	419.3	419.3
1,928.2	**2,162.0**	**1,069.5**	**2,915.3**	**1,767.4**	**1,917.5**	**967.5**	**2,572.5**	**1,819.2**	**1,928.7**	**978.7**	**2,583.7**	**1,706.5**	**1,796.6**	**846.6**	**2,451.6**

[3] Transfer of the residual terms of LTI claims that Mr Roberts received as CEO of Morton Salt.
[4] Earnings as a result of contract being extended by two years.

TAB: 1.10.3

Dr Burkhard Lohr, CFO Member of the Board of Executive Directors since 06/2012		Dr Andreas Radmacher Member of the Board of Executive Directors since 09/2013		Mark Roberts Member of the Board of Executive Directors since 10/2012		Dr Thomas Nöcker Member of the Board of Executive Directors since 08/2003	
2015	2014	2015	2014	2015[3]	2014	2015	2014
460.0	440.0	400.0	400.0	452.9	400.0	400.0	400.0
23.4	23.5	25.8	24.6	52.2	45.6	27.3	24.6
483.4	**463.5**	**425.8**	**424.6**	**505.1**	**445.6**	**427.3**	**424.6**
672.8[1]	660.0	585.0[1]	600.0	665.9[1]	600.0	585.0[1]	600.0
—	—	—	—	122.1	165.8	188.7	498.1
—	—	—	—	2012–2015	2011–2014	2012–2015	2011–2014
1,156.2	**1,123.5**	**1,010.8**	**1,024.6**	**1,293.1**	**1,211.4**	**1,201.0**	**1,522.7**
586.1	419.7	541.7	392.8	526.5	423.6	419.3	331.9
1,742.3	**1,543.2**	**1,552.5**	**1,417.4**	**1,819.6**	**1,635.0**	**1,620.3**	**1,854.6**

The total remuneration of the Board of Executive Directors related to five members, all of whom were in office for the whole year. In the previous year, the Board of Executive Directors consisted of six members, five of whom were in office for the whole year. All the components of the remuneration of the Board of Executive Directors are reviewed every three years – this cycle ended on 1 January 2015. Due to the ongoing 'Fit for the Future' savings programme, the Supervisory Board, with the consent of the Board of Executive Directors, has postponed the review for a year until 1 January 2016. As shown in figure 1.10.2 on page 123, the value contributions generated in the four-year performance period were below those generated in the reference period. Consequently, the 2012 LTI programme reached a value of 53,9 %.

PENSION COMMITMENTS

The pensions of the active members of the Board of Executive Directors are based on a modular system, i.e. a pension module is created for each year of service as a member of the Board of Executive Directors.

The pension modules are calculated on the basis of 40 % of the fixed annual remuneration of the respective member of the Board of Executive Directors. The annual total pension under this modular system has an upper ceiling in order to avoid disproportionate pensions in the case of long-standing appointments (> 15 years). The amount is calculated in accordance with actuarial principles and set aside for retirement; the factors for the creation of the 2015 modules for the members of the Board of Executive Directors are between 8.5 and 13.5 %, depending on their age. These factors decrease with increasing age. The individual pension modules earned during the respective financial years are totalled and, when the insured event occurs, the respective member of the Board of Executive Directors or, if applicable, his survivors receives / receive the benefit to which he is entitled. The upper limit for the Chairman of the Board of Executive Directors is € 325,000, and for an ordinary member of the Board of Executive Directors it is € 245,000. The figures are reviewed in a three-year cycle and adjusted if necessary.

Pension benefits are adjusted in line with changes in the 'consumer price index for Germany' only on payment. Claims arising from modules earned are non-forfeitable. A fixed euro-US dollar translation rate has been agreed for Mark Roberts as part of the extension of his term of office.

If the term of office of a member of the Board of Executive Directors ends, the retirement pension starts upon reaching the age of 65, unless it is to be paid on the basis of an occupational or general disability or as a surviving dependent's pension in the event of death. In the event of an occupational or general disability of a member of the Board of Executive Directors prior to reaching pension age, the respective member receives a disability pension commensurate with the pension modules created up to the time the disability occurs. If invalidity occurs before the age of 55, modules are fictitiously created on the basis of a minimum value for the years missing up to age 65. In the event of the death of an active or former member of the Board of Executive Directors, the surviving spouse receives 60 %, each orphan 30 % and each half-orphan 15 % of the benefit. The maximum amount for benefit awarded to surviving dependents must not exceed 100 % of the pension payment. If this amount is reached, the benefit is reduced proportionately. If a member of the Board of Executive Directors retires at the age of 60, claims can be made in accordance with the pension commitment.

The following amounts were allocated to the pension provisions for members of the Board of Executive Directors in 2015. / TAB: 1.10.4

The pension module earned by each of the members of the Board of Executive Directors in 2015 gives rise to pension expenses, which are calculated in accordance with actuarial principles. The increase in current values compared with the previous year is due to the fact that the period until the assumed start of the pension is one year shorter.

EARLY TERMINATION OF EXECUTIVE BOARD CONTRACTS

If the appointment as board member is revoked, the member of the Board of Executive Directors receives, at the time of termination, a severance payment of 1.5 times the fixed remuneration, however, up to a maxi-

PENSIONS [1] TAB: 1.10.4

in € thousand		Age	Current value as of 1 January	Pension expenses [2]	Current value as of 31 December
Norbert Steiner	2015	61	6,709.9	722.7	7,323.4
	2014		5,331.6	53.6	6,709.9
Dr Thomas Nöcker	2015	57	4,886.9	521.9	5,306.2
	2014		3,308.3	447.7	4,886.9
Dr Burkhard Lohr	2015	52	1,496.1	617.5	2,041.7
	2014		665.7	443.0	1,496.1
Mark Roberts	2015	52	1,210.3	551.9	1,951.5
	2014		464.7	439.9	1,210.3
Dr Andreas Radmacher	2015	50	735.9	557.2	1,233.6
	2014		146.9	398.0	735.9
Gerd Grimmig (Member until 30 September 2014)	2015	62	—	—	—
	2014		4063.3	377.7	5,510.8
Total	**2015**		**15,039.1**	**2,971.2**	**17,856.4**
	2014		**13,980.5**	**2,159.9**	**20,549.9**

[1] According to IFRS.
[2] Including interest expenses.

mum of the total remuneration for the remaining term of the employment contract. The upper limit for severance payments of 1.5 times the annual fixed remuneration for all remuneration components applies to all Executive Board contracts.

In the event of an early termination of an Executive Board contract as the result of a takeover ('change of control'), the fixed remuneration and bonuses outstanding until the end of the original term of the appointment will be paid plus a compensatory payment, unless there are reasons justifying a termination of the respective contract without giving notice. The bonus is calculated in accordance with the average of the preceding two years. The compensatory payment is 1.5 times the annual fixed remuneration. In addition, there is an upper limit for severance payments, whereby claims arising from the 'change of control' clause may not exceed the value of the combined annual remuneration for three years. In the event of a change of control, members of the Board of Executive Directors enjoy no extraordinary right to terminate their contract.

OTHER

The members of the Board of Executive Directors were not promised or granted benefits by third parties in relation to their activity as Board members during the year under review. Apart from the employment contracts mentioned, there are no contractual relationships between the Company or its Group companies and members of the Board of Executive Directors or persons closely related to them.

The total remuneration of previous members of the Board of Executive Directors and their surviving spouses amounted to € 1.5 million in the year under review (2014: € 1.5 million).

REMUNERATION OF THE SUPERVISORY BOARD

REMUNERATION STRUCTURE

The remuneration of the Supervisory Board is regulated in Article 12 of the Articles of Association. A member of the Supervisory Board receives fixed annual remuneration of € 100,000. The Chairman of the Supervisory Board receives twice this amount and the Vice-Chairman 1.5 times this amount.

The members of the Audit Committee each receive annual remuneration of € 15,000 and the members of the Personnel Committee € 7,500. Each member of the Nomination Committee receives annual remuneration of € 7,500 if at least two meetings have taken place during the respective year. The chairmen of these committees each receive twice this amount and the vice-chairman 1.5 times this amount. Finally, each member of the Supervisory Board receives a fee of € 750 for attending a meeting of the Supervisory Board or one of its committees; however, if more than one meeting is held on the same day, members will receive a maximum of € 1,500 per day. The members of the Supervisory Board are entitled to reimbursement by the Company of any expenses that are necessary and reasonable for the performance of their duties, as well as to the reimbursement of any value added tax (VAT) to be paid as a consequence of their activities in their capacity as Supervisory Board members.

REMUNERATION AMOUNT

Details of the individual remuneration of the Supervisory Board for the 2015 financial year are shown in the table below: / TAB: 1.10.5

Additionally, in 2015, members of the Supervisory Board were reimbursed expenses totalling € 68.8 thousand (2014: € 52.2 thousand). Remuneration was neither paid for activities on the supervisory board of subsidiaries in the 2015 financial year nor were benefits granted to members of the Supervisory Board for individual services provided, in particular consultancy or brokerage services.

In addition to the Supervisory Board compensation, employee representatives, who are employees of the K+S GROUP, receive remuneration that is not related to activities performed for the Supervisory Board.

REMUNERATION OF THE SUPERVISORY BOARD [1] TAB: 1.10.5

in €		Fixed remuneration	Audit Committee	Personnel Committee	Nomination Committee [6]	Attendance fees	Total
Dr. Ralf Bethke (Chairman)	2015	200,000	15,000	15,000	—	10,500	240,500
	2014	200,000	15,000	15,000	15,000	11,250	256,250
Michael Vassiliadis (Vice-Chairman)	2015	150,000	15,000	7,500	—	6,750	179,250
	2014	150,000	15,000	7,500	—	3,000	175,500
Ralf Becker	2015	100,000	15,000	—	—	7,500	122,500
	2014	100,000	15,000	—	—	4,500	119,500
Jella S. Benner-Heinacher	2015	100,000	—	7,500	—	6,750	114,250
	2014	100,000	—	7,500	—	6,750	114,250
George Cardona	2015	100,000	—	—	—	6,000	106,000
	2014	100,000	—	—	7,500	5,250	112,750
Wesley Clark	2015	100,000	—	—	—	3,000	103,000
	2014	100,000	—	—	—	3,000	103,000
Harald Döll	2015	100,000	—	7,500	—	6,750	114,250
	2014	100,000		3,125 [4]		3,750	106,875
Dr Rainer Gerling	2015	100,000	—	—	—	4,500	104,500
	2014	100,000	—	—	—	3,000	103,000
Axel Hartmann	2015	100,000	15,000	—	—	7,500	122,500
	2014	100,000	6,250 [4]	—	—	4,500	110,750
Rüdiger Kienitz	2015	100,000	—	—	—	5,250	105,250
	2014	100,000	—	—	—	3,000	103,000
Michael Knackmuß	2015	100,000	—	—	—	4,500	104,500
	2014	50,000	—	—	—	1,500	51,500
Dr Andreas Kreimeyer (since 12 May 2015)	2015	66,667	—	—	— [2]	3,750	70,417
	2014	—	—	—	—	—	—
Dieter Kuhn	2015	100,000	—	—	—	4,500	104,500
	2014	100,000	—	—	—	3,000	103,000
Dr Bernd Malmström (until 12 May 2015)	2015	41,667	—	—	— [3]	1,500	43,167
	2014	100,000	—	—	7,500	5,250	112,750
Dr Annette Messemer	2015	100,000	15,000	—	—	5,250	120,250
	2014	100,000	15,000	—	—	5,250	120,250

REMUNERATION OF THE SUPERVISORY BOARD [1] (CONTINUED) TAB: 1.10.5

in €		Fixed remuneration	Audit Committee	Personnel Committee	Nomination Committee [6]	Attendance fees	Total
Dr Rudolf Müller (until 12 May 2015)	2015	41,667	—	—	— [3]	2,250	43,917
	2014	100,000	—	—	7,500	5,250	112,750
Dr Eckart Sünner	2015	100,000	30,000	—	—	7,500	137,500
	2014	100,000	30,000	—	—	4,500	134,500
Philip Freiherr von dem Bussche (since 12 May 2015)	2015	66,667	—	—	— [2]	4,500	71,167
	2014	—	—	—	—	—	—
Total	**2015**	**1,766,667**	**105,000**	**37,500**	**—**	**98,250**	**2,007,417**
	2014 [5]	**1,700,000**	**96,250**	**33,125**	**37,500**	**72,750**	**1,939,625**

[1] Excluding reimbursement for the value added tax (VAT) to be paid by the members of the Supervisory Board as a consequence of their activities.
[2] Member of the committee since 12 May 2015.
[3] Member of the committee until 12 May 2015.
[4] Member of the committee since 19 August 2014.
[5] Not including member who retired in 2014.
[6] No remuneration in accordance with Articles of Association due to number of meetings attended too low in 2015.

CONSOLIDATED FINANCIAL STATEMENTS

2

INCOME STATEMENT [1]

TAB: 2.1.1

in € million	Notes	2015	2014
Revenues	(1)	**4,175.5**	**3,821.7**
Cost of sales of the services provided in order to generate revenues		2,260.5	2,211.0
Gross profit		**1,915.0**	**1,610.7**
Selling expenses		824.5	796.2
General and administrative expenses		218.1	190.5
Research and development costs		14.7	12.2
Other operating income	(2)	180.6	196.9
Other operating expenses	(3)	200.6	170.3
Income from investments, net		5.7	4.8
Result from operating forecast hedges	(4)	– 127.8	17.5
Result after operating hedges (EBIT II) [2]		**715.6**	**660.7**
Interest income	(5)	10.0	24.1
Interest expenses	(5)	52.5	152.9
Other financial result	(6)	8.8	2.8
Financial result		**– 33.7**	**– 126.0**
Earnings before income taxes		**681.9**	**534.6**
Taxes on income	(7)	186.5	153.4
– of which deferred taxes		– 18.7	25.6
Net income		**495.4**	**381.2**
Minority interests in earnings		0.2	0.7
Group earnings after taxes and minority interests		**495.2**	**380.5**
Earnings per share in € (undiluted = diluted)	**(10)**	**2.59**	**1.99**
Average number of shares (in millions)		191.4	191.4
Operating earnings (EBIT I) [2]		**781.6**	**641.3**
Earnings before income taxes, adjusted [3]		**747.9**	**515.2**
Group earnings after taxes, adjusted [3]	**(10)**	**542.3**	**366.6**
Earnings per share in €, adjusted [3]	**(10)**	**2.83**	**1.92**

STATEMENT OF COMPREHENSIVE INCOME [1]

TAB: 2.2.1

in € million	Notes	2015	2014
Net income		**495.4**	**381.2**
Items that may be reclassified subsequently to profit or loss		– 1.9	294.1
Financial assets available for sale		– 3.5	1.6
Difference resulting from foreign currency translation		1.6	292.5
Items that will not be reclassified to profit or loss		**– 0.3**	**– 49.6**
Revaluation of net debt / defined benefit pension plan assets		– 0.3	– 49.6
Other income after taxes		**– 2.2**	**244.5**
Comprehensive income for the period		**493.2**	**625.7**
Minority interests in comprehensive income		0.2	0.7
Group comprehensive income after taxes and minority interests		**493.0**	**625.0**

OPERATING EARNINGS (EBIT I) [1]

TAB: 2.2.2

in € million	Notes	2015	2014
Result after operating hedges (EBIT II) [2]		**715.6**	**660.7**
Income (–) / expenses (+) arising from fluctuations in the market value of outstanding operating forecast hedges		85.5	– 24.1
Neutralisation of market value fluctuations recorded in prior periods for realised operating forecast hedges		– 22.0	9.0
Realised income (–) / expenses (+) of currency hedging for capital expenditure in Canada		2.5	– 4.3
Operating earnings (EBIT I) [2]		**781.6**	**641.3**

[1] Rounding differences may arise in percentages and numbers.
[2] The K+S Group is managed, inter alia, on the basis of operating earnings (EBIT I). Reconciliation of EBIT II to operating earnings (EBIT I) is recorded below the income statement (see also the 'Notes to the income statement and the statement of comprehensive income' on page 154).
[3] The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported in EBIT I, which eliminates effects from changes in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project) (see also the 'Notes to the income statement and the statement of comprehensive income' on page 154). Related effects on deferred and cash taxes are also eliminated; tax rate for 2015: 28.7 % (2014: 28.6 %).

BALANCE SHEET [1] TAB: 2.3.1

in € million	Notes	31.12.2015	31.12.2014	1.1.2014
Intangible assets	(11)	1,068.3	1,015.6	935.7
– of which goodwill from acquisitions of companies	(11)	725.9	674.6	606.3
Property, plant and equipment		5,054.8	4,112.7	2,933.2
Investment properties	(12)	6.4	6.4	7.3
Financial assets	(13)	14.1	13.7	13.9
Other financial assets	(17, 18)	112.1	114.0	48.1
Other non-financial assets		3.8	2.9	5.9
Securities and other financial investments	(14)	—	33.3	179.3
Deferred taxes	(15)	98.9	74.4	33.4
Refund claims for income taxes		0.1	0.2	0.1
Non-current assets		**6,358.5**	**5,373.2**	**4,156.9**
Inventories	(16)	705.3	578.8	552.6
Accounts receivable – trade	(17)	708.6	732.9	737.9
Other financial assets	(17, 18)	101.2	82.6	67.0
Other non-financial assets		160.1	103.6	87.0
Refund claims for income taxes		76.8	74.1	29.3
Securities and other financial investments	(14)	40.0	534.8	856.2
Cash on hand and balances with banks	(37)	123.1	375.2	1,011.3
Current assets		**1,915.1**	**2,482.0**	**3,341.3**
ASSETS		8,273.6	7,855.2	7,498.2

BALANCE SHEET [1] TAB: 2.3.2

in € million	Notes	31.12.2015	31.12.2014 [2]	1.1.2014 [2]
Subscribed capital	(19)	191.4	191.4	191.4
Capital reserve		646.5	646.5	646.8
Other reserves and accumulated profit	(19)	3,456.5	3,131.8	2,554.3
Total K+S AG shareholders' equity		4,294.4	3,969.7	3,392.5
Minority interests		1.2	4.8	4.1
Equity		**4,295.6**	**3,974.5**	**3,396.6**
Financial liabilities	(25)	1,514.9	1,512.0	1,509.0
Other financial liabilities	(18, 25)	40.7	14.3	13.2
Other non-financial liabilities		6.3	3.8	4.3
Provisions for pensions and similar obligations	(21)	166.1	162.8	102.6
Provisions for mining obligations	(22)	870.1	872.5	694.0
Other provisions	(23)	144.2	158.6	167.6
Deferred taxes	(15)	294.5	275.8	196.1
Non-current debt		**3,036.8**	**2,999.8**	**2,686.8**
Financial liabilities	(25)	28.8	39.3	746.2
Accounts payable – trade	(25)	306.0	284.6	271.5
Other financial liabilities	(18, 25)	94.9	67.4	65.5
Other non-financial liabilities		24.9	26.8	29.1
Income tax liabilities		81.0	58.1	49.1
Provisions	(22, 24)	405.6	404.7	253.4
Current debt		**941.2**	**880.9**	**1,414.8**
EQUITY AND LIABILITIES		8,273.6	7,855.2	7,498.2

[1] Rounding differences may arise in percentages and numbers.
[2] Previous year's figures have been adjusted. Further detailed explanation of the adjustment can be found in the Notes (22) on page 175.

CASH FLOW STATEMENT[1]

TAB: 2.4.1

in € million	Notes [37]	2015	2014[2]
Result after operating hedges (EBIT II)		**715.6**	**660.7**
Income (–)/expenses (+) from market value changes of operating forecast hedges still outstanding		85.5	– 24.1
Neutralisation of fluctuations in market value recorded in prior periods of realised operating forecast hedges		– 22.0	9.0
Realised income (–)/expenses (+) arising from hedging of anticipated capital expenditure in Canada		2.5	– 4.3
Operating earnings (EBIT I)		**781.6**	**641.3**
Write-downs (+) write-ups (–) on intangible assets, property, plant and equipment and financial assets		275.9	254.4
Increase (+)/decrease (–) in non-current provisions (without interest rate effects)		– 25.5	1.2
Interests and dividends received and similar income		10.0	27.8
Gains (+)/losses (–) from the realisation of financial assets/liabilities		37.6	15.4
Interest paid (–)		– 54.0	– 96.3
Income taxes paid (–)		– 191.9	– 163.8
Other non-cash expenses (+)/income (–)		1.6	0.1
Gross cash flow		**835.3**	**680.1**
Gain (–)/loss (+) on the disposal of fixed assets and securities		– 3.2	– 1.9
Increase (–)/decrease (+) in inventories		– 107.4	3.4
Increase (–)/decrease (+) in receivables and other assets from operating activities		– 40.6	18.5
Increase (+)/decrease (–) in liabilities from operating activities		– 44.0	8.1
Increase (+)/decrease (–) in current provisions		32.8	18.5
Out-financing of plan assets		– 3.5	– 7.6
Cash flow from operating activities		**669.4**	**719.1**
Proceeds from disposals of fixed assets		5.3	5.9
Disbursements for intangible assets		– 5.6	– 8.6
Disbursements for fixed assets		– 1,303.9	– 1,022.6
Disbursements for financial assets		– 1.1	– 0.1
Proceeds from the disposal of securities and other financial investments		725.3	1,448.2
Disbursements for the purchase of securities and other financial investments		– 195.8	– 1,007.7
Cash flow from investment activities		**– 775.8**	**– 584.9**
Free cash flow		**– 106.4**	**134.2**
Dividends paid		– 172.3	– 47.9

CASH FLOW STATEMENT[1] (CONTINUED)

TAB: 2.4.1

in € million	Notes [37]	2015	2014[2]
Payments from other allocations to equity		2.6	1.7
Purchase of own shares		– 3.1	– 2.1
Repayment (–) of financial liabilities		– 6.7	– 744.2
Assumption (+) of financial liabilities		28.0	4.7
Cash flow from financing activities		**– 151.5**	**– 787.8**
Change in cash and cash equivalents affecting cash flow		**– 257.9**	**– 653.6**
Change in cash and cash equivalents resulting from exchange rates		6.0	18.9
Change in cash and cash equivalents		**– 251.9**	**– 634.7**
Net cash and cash equivalents as of 1 January		**370.3**	**1,005.0**
Net cash and cash equivalents as of 31 December		**118.4**	**370.3**
– of which cash on hand and bank balances		123.1	375.2
– of which cash invested with affiliated companies		0.5	0.9
– of which cash received from affiliated companies		– 5.2	– 5.8

[1] Rounding differences may arise in percentages and numbers.
[2] Previous year's figures have been adjusted. Further detailed explanation of the adjustment can be found in the Notes (37) on page 185.

STATEMENT OF CHANGES IN EQUITY [1]

in € million	Subscribed capital [19]	Capital reserve	Accumulated profit / revenue reserves [19]
Balance as of 1 January 2015	191.4	646.5	2,939.0
Net income	—	—	495.2
Other income after taxes	—	—	—
Overall result for the period	**—**	**—**	**495.2**
Dividend for the previous year	—	—	– 172.3
Issuance of shares to employees	—	—	3.8
Other changes in equity	—	—	0.2
Balance as of 31 December 2015	**191.4**	**646.5**	**3,265.9**
Balance as of 1 January 2014	191.4	646.8	2,606.0
Net income	—	—	380.5
Other income after taxes	—	—	—
Overall result for the period	**—**	**—**	**380.5**
Dividend for the previous year	—	—	– 47.9
Issuance of shares to employees	—	– 0.3	—
Other changes in equity	—	—	0.4
Balance as at 31 December 2014	**191.4**	**646.5**	**2,939.0**

[1] Rounding differences may arise in percentages and numbers.

TAB: 2.5.1

Differences from foreign currency translation [19]	Financial assets available for disposal [19]	Revaluation of defined benefit pension plans [19]	Total K+S AG shareholders' equity	Minority interests	Equity
287.3	3.5	−98.0	3,969.7	4.8	3,974.5
—	—	—	495.2	0.2	495.4
1.6	−3.5	−0.3	−2.2	—	−2.2
1.6	**−3.5**	**−0.3**	**493.0**	**0.2**	**493.2**
—	—	—	−172.3	—	−172.3
—	—	—	3.8	−3.8	—
—	—	—	0.2	—	0.2
288.9	**—**	**−98.3**	**4,294.4**	**1.2**	**4,295.6**
−5.2	1.9	−48.4	3,392.5	4.1	3,396.6
—	—	—	380.5	0.7	381.2
292.5	1.6	−49.6	244.5	—	244.5
292.5	**1.6**	**−49.6**	**625.0**	**0.7**	**625.7**
—	—	—	−47.9	—	−47.9
—	—	—	−0.3	—	−0.3
—	—	—	0.4	—	0.4
287.3	**3.5**	**−98.0**	**3,969.7**	**4.8**	**3,974.5**

2.6 NOTES

SEGMENT REPORTING

SEGMENT REPORTING [1]

in € million	Notes	Total revenues 2015	Total revenues 2014	of which revenues with third parties [35] 2015	of which revenues with third parties [35] 2014
Potash and Magnesium Products business unit		2,169.5	1,958.8	2,091.3	1,884.0
Salt business unit		1,930.7	1,784.9	1,925.2	1,778.5
Complementary Activities		188.7	190.2	157.7	158.3
Reconciliation [2]	(34)	–113.4	–112.2	1.3	0.9
K+S total		**4,175.5**	**3,821.7**	**4,175.5**	**3,821.7**

in € million	Notes	Assets 2015	Assets 2014	Liabilities 2015	Liabilities 2014
Potash and Magnesium Products business unit		5,002.7	4,058.2	1,331.3	1,347.8
Salt business unit		3,181.3	3,035.6	600.2	582.3
Complementary Activities		129.6	142.7	78.7	78.2
Reconciliation [2]	(34)	–40.0	618.7	1,967.8	1,872.4
K+S total		**8,273.6**	**7,855.2**	**3,978.0**	**3,880.7**

[1] Rounding differences may arise in percentages and numbers.
[2] Figures for business units are shown before intersegment consolidation. Expenses and income as well as items disclosed on the balance sheet that cannot be allocated to business units are recorded separately. Both effects are shown under 'Reconciliation'.
[3] Adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised.
[4] Return on Capital Employed (Definition can be found in the 'Further Information' section on page 191).
[5] Relates to cash investments in tangible and intangible assets.
[6] Concerns scheduled write-downs. Substantial non-scheduled amortisations are presented in the Notes (33).

TAB: 2.6.1

of which intersegment revenues		EBIT I		EBITDA[3]	
2015	2014	2015	2014	2015	2014
78.2	74.8	546.1	488.8	689.2	618.5
5.5	6.4	266.3	172.9	381.0	276.0
31.0	31.9	26.4	24.2	35.0	34.3
− 114.7	− 113.1	− 57.2	− 44.6	− 47.7	− 33.3
—	**—**	**781.6**	**641.3**	**1,057.5**	**895.5**

ROCE[4]		Capital expenditure[5]		Depreciation and amortisation[3, 6]	
2015	2014	2015	2014	2015	2014
14.4 %	17.8 %	1,145.0	1,040.4	142.9	127.7
11.4 %	8.1 %	118.1	87.5	111.3	103.1
27.6 %	24.1 %	6.5	5.1	8.5	8.5
—	—	9.2	20.2	10.5	10.2
12.5 %	**12.7 %**	**1,278.8**	**1,153.2**	**273.2**	**249.5**

DEVELOPMENT OF FIXED ASSETS

DEVELOPMENT OF FIXED ASSETS 2015[1]

							Gross carrying amounts
in € million	Notes	Balance as of 1.1.2015	Change in scope of consolidation	Additions	Disposals	Reclassifications	Exchange rate differences	Balance as of 31.12.2015
Other acquired concessions, industrial property rights, similar rights and assets, and licences in such rights and assets		66.4	–	2.0	1.8	2.2	2.1	71.0
Customer relations		231.7	–	–	0.1	–	18.8	250.4
Brands		119.4	–	–	–	–	10.0	129.4
Port concessions		33.7	–	–	–	–	3.9	37.6
Goodwill from acquisitions		674.6	–	0.4	–	–	50.9	725.9
Internally generated intangible assets		25.7	–	0.1	–	0.1	–	26.0
Emission rights		15.0	–	0.2	–	–	–	15.1
Intangible assets in completion		4.8	–	2.9	–	−2.3	–	5.4
Intangible assets	**(11)**	**1,171.4**	**–**	**5.6**	**1.9**	**–**	**85.6**	**1,260.8**
Land, land rights and buildings including buildings on third-party land		1,111.4	–	36.2	10.7	68.1	8.5	1,213.5
Finance leases for land etc.		2.1	–	–	–	–	0.2	2.3
Raw material deposits		724.6	–	–	–	–	9.0	733.5
Technical equipment and machinery		2,914.5	–	122.8	48.3	173.9	26.2	3,189.1
Finance leases for technical equipment and machinery		38.2	–	2.6	–	8.5	−3.2	46.1
Ships		47.3	–	–	–	–	5.4	52.8
Finance leases for ships		2.0	–	–	–	–	−0.1	1.9
Other equipment, operating and office equipment		407.7	–	25.2	15.0	4.0	−3.8	418.1
Finance leases for other equipment etc.		0.7	–	–	–	–	0.1	0.8
Prepayments and assets under construction		1,459.5	–	1,171.9	0.4	−254.5	−138.2	2,238.3
Property, plant and equipment		**6,708.0**	**–**	**1,358.6**	**74.4**	**–**	**−95.8**	**7,896.4**
Investment properties	**(12)**	**12.9**	**–**	**–**	**1.5**	**–**	**–**	**11.4**
Shares in affiliated companies		14.8	–	1.0	0.5	–	–	15.4
Participating interests		0.1	–	–	–	–	–	0.1
Loans to companies in which we hold a participating interest		–	–	–	–	–	–	–
Other loans and financial assets		0.6	–	–	0.1	–	–	0.5
Financial assets	**(13)**	**15.5**	**–**	**1.1**	**0.6**	**–**	**–**	**16.0**
Fixed assets		7,907.8	–	1,365.3	78.4	–	−10.2	9,184.6

[1] Rounding differences may arise in percentages and numbers.

TAB: 2.6.2

							Depreciation and amortisation		Net carrying amounts
Balance as of 1.1.2015	Change in scope of consolidation	Additions scheduled	Additions non-scheduled	Disposals	Reclassifications	Write-ups	Exchange rate differences	Balance as of 31.12.2015	Balance as of 31.12.2015
42.2	—	7.3	—	1.8	—	—	1.3	49.1	21.9
95.3	—	16.2	—	0.1	—	—	6.1	117.6	132.7
11.2	—	0.2	—	—	—	—	0.2	11.5	117.9
0.9	—	0.1	—	—	—	—	0.1	1.2	36.4
—	—	—	—	—	—	—	—	—	725.9
6.1	—	6.9	—	—	—	—	—	13.0	13.0
—	—	—	—	—	—	—	—	—	15.1
—	—	—	—	—	—	—	—	—	5.4
155.8	**—**	**30.8**	**—**	**1.9**	**—**	**—**	**7.7**	**192.5**	**1,068.3**
389.3	—	44.9	2.8	1.7	−0.1	—	3.7	438.9	774.6
1.3	—	0.3	—	—	—	—	0.2	1.8	0.6
29.3	—	4.7	—	—	—	—	0.7	34.7	698.8
1,883.0	—	176.0	1.2	44.3	0.1	0.4	15.1	2,030.7	1,158.4
4.4	—	2.0	—	—	—	—	−0.4	6.0	40.0
5.2	—	2.0	—	—	—	—	0.6	7.8	44.9
0.7	—	0.1	—	—	—	—	−0.1	0.8	1.1
281.2	—	55.7	—	14.3	—	1.0	−1.7	320.0	98.2
0.6	—	0.1	—	—	—	—	0.1	0.8	—
—	—	—	—	—	—	—	—	—	2,238.3
2,595.2	**—**	**285.8**	**4.0**	**60.3**	**—**	**1.4**	**18.3**	**2,841.6**	**5,054.8**
6.6	**—**	**—**	**—**	**1.5**	**—**	**—**	**—**	**5.0**	**6.4**
1.8	—	—	0.1	—	—	—	—	1.9	13.5
—	—	—	—	—	—	—	—	—	0.1
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	0.5
1.8	**—**	**—**	**0.1**	**—**	**—**	**—**	**—**	**1.9**	**14.1**
2,759.4	**—**	**316.6**	**4.1**	**63.7**	**—**	**1.4**	**26.0**	**3,041.0**	**6,143.6**

DEVELOPMENT OF FIXED ASSETS 2014[1]

in € million	Notes	Balance as of 1.1.2014	Change in scope of consolidation	Additions	Disposals	Reclassifications	Exchange rate differences	Balance as of 31.12.2014
								Gross carrying amounts
Other acquired concessions, industrial property rights, similar rights and assets, and licences in such rights and assets		64.1	–	2.1	3.5	0.4	3.4	66.5
Customer relations		208.5	–	–	–	– 1.2	24.4	231.7
Brands		107.4	–	–	–	–	12.0	119.4
Port concessions		29.7	–	–	–	–	4.0	33.7
Goodwill from acquisitions		606.3	–	–	–	–	68.3	674.6
Internally generated intangible assets		5.9	–	2.0	0.3	18.1	–	25.7
Emission rights		15.0	–	–	–	–	–	15.0
Intangible assets in completion		21.3	–	3.4	–	– 19.9	–	4.8
Intangible assets	**(11)**	**1,058.2**	**–**	**7.5**	**3.7**	**– 2.6**	**112.0**	**1,171.2**
Land, land rights and buildings including buildings on third-party land		928.7	–	153.2	25.4	31.7	23.1	1,111.4
Finance leases for land etc.		1.9	–	–	–	–	0.3	2.1
Raw material deposits		670.8	–	–	–	–	53.8	724.6
Technical equipment and machinery		2,647.5	–	121.7	34.5	130.6	49.2	2,914.5
Finance leases for technical equipment and machinery		21.8	–	0.2	1.3	15.3	2.2	38.2
Ships		41.6	–	–	–	–	5.7	47.3
Finance leases for ships		1.9	–	–	–	–	0.1	2.0
Other equipment, operating and office equipment		325.4	–	52.7	23.8	45.0	8.4	407.7
Finance leases for other equipment etc.		0.7	–	–	–	–	0.1	0.7
Prepayments and assets under construction		652.4	–	975.1	1.6	– 219.7	53.3	1,459.5
Property, plant and equipment		**5,292.8**	**–**	**1,302.9**	**86.6**	**2.9**	**196.2**	**6,708.0**
Investment properties	**(12)**	**14.3**	**–**	**–**	**1.1**	**– 0.3**	**–**	**12.9**
Shares in affiliated companies		14.8	–	–	–	–	–	14.8
Participating interests		0.1	–	–	–	–	–	0.1
Loans to companies in which we hold a participating interest		0.1	–	–	0.1	–	–	–
Other loans and financial assets		0.7	–	–	0.2	–	–	0.6
Financial assets	**(13)**	**15.7**	**–**	**–**	**0.3**	**–**	**–**	**15.5**
Fixed assets		6,381.0	–	1,310.4	91.7	–	308.2	7,907.6

[1] Rounding differences may arise in percentages and numbers.

TAB: 2.6.3

								Depreciation and amortisation	Net carrying amounts
Balance as of 1.1.2014	Change in scope of consolidation	Additions scheduled	Additions non-scheduled	Disposals	Reclassifications	Write-ups	Exchange rate differences	Balance as of 31.12.2014	Balance as of 31.12.2014
36.5	—	6.9	—	3.4	—	—	2.2	42.2	24.3
71.3	—	16.2	—	—	−1.2	—	9.0	95.3	136.4
10.9	—	0.2	—	—	—	—	0.1	11.2	108.2
0.7	—	0.1	—	—	—	—	0.1	0.9	32.8
—	—	—	—	—	—	—	—	—	674.6
3.1	—	2.2	1.1	0.2	—	—	—	6.1	19.6
—	—	—	—	—	—	—	—	—	15.0
—	—	—	—	—	—	—	—	—	4.8
122.5	**—**	**25.6**	**1.1**	**3.6**	**−1.2**	**—**	**11.4**	**155.7**	**1,015.6**
344.6	—	37.6	1.6	0.5	0.2	—	5.8	389.3	722.1
0.9	—	0.4	—	—	—	—	0.1	1.3	0.8
23.2	—	4.3	—	—	—	—	1.9	29.3	695.3
1,731.5	—	157.2	0.9	31.0	0.8	—	23.6	1,883.0	1,031.5
3.7	—	1.9	—	1.3	−0.2	—	0.3	4.4	33.7
3.0	—	1.6	—	—	—	—	0.6	5.2	42.1
0.6	—	0.1	—	—	—	—	—	0.7	1.3
251.6	—	47.8	1.1	23.3	0.4	—	3.7	281.2	126.5
0.4	—	0.1	—	—	—	—	0.1	0.6	0.1
—	—	—	—	—	—	—	—	—	1,459.5
2,359.6	**—**	**251.0**	**3.6**	**56.1**	**1.2**	**—**	**36.1**	**2,595.0**	**4,112.7**
7.0	**—**	**—**	**—**	**0.5**	**—**	**—**	**—**	**6.5**	**6.4**
1.8	—	—	—	—	—	—	—	1.8	13.0
—	—	—	—	—	—	—	—	—	0.1
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	0.6
1.8	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1.8**	**13.7**
2,490.9	—	276.6	4.7	60.2	—	—	47.5	2,759.0	5,148.4

DEVELOPMENT OF PROVISIONS

DEVELOPMENT OF PROVISIONS [1]

in € million	Notes	Balance as of 1.1.2015	Exchange rate differences	Change in scope of consolidation
Backfilling of mines and shafts		330.3	– 0.8	—
Maintenance of tailing piles		424.5	—	—
Mining damage risks		75.8	—	—
Other mining obligations		41.9	—	—
Provisions for mining obligations	**(22)**	**872.5**	**– 0.8**	**—**
Long-term incentives		19.0	0.3	—
Anniversary pay		29.3	—	—
Partial retirement		3.5	—	—
Other personnel obligations		7.3	0.3	—
Personnel obligations	**(23)**	**59.1**	**0.6**	**—**
Other provisions	**(22)**	**99.5**	**1.4**	**—**
Provisions (non-current debt)		**1,031.1**	**1.2**	**—**
Provisions for mining obligations	(22)	16.3	—	—
Personnel obligations	(24)	120.3	3.4	—
Provisions for obligations from sale transactions	(24)	38.1	0.9	—
Provisions for obligations from purchase contracts	(24)	202.3	– 11.4	—
Other provisions		27.7	1.0	—
Provisions (current debt)		**404.7**	**– 6.1**	**—**
Provisions		**1,435.8**	**– 4.9**	**—**

[1] Rounding differences may arise in percentages and numbers.

TAB: 2.6.4

Additions	Interest component	Utilisation	Reversal	Reclassification	Balance as of 31.12.2015
11.5	7.8	3.9	6.1	—	338.8
1.6	14.2	1.2	0.1	—	439.0
1.6	−12.6	1.9	10.0	−6.2	46.7
3.9	1.1	1.2	0.1	—	45.6
18.6	**10.5**	**8.2**	**16.3**	**−6.2**	**870.1**
2.3	—	15.1	0.4	—	6.1
2.2	0.3	1.9	—	—	29.9
0.1	1.2	6.4	—	1.8	0.2
2.4	—	0.9	0.1	−1.0	8.0
7.0	**1.5**	**24.3**	**0.5**	**0.8**	**44.2**
2.4	**2.4**	**2.6**	**3.2**	**0.1**	**100.0**
28.0	**14.4**	**35.1**	**20.0**	**−5.3**	**1,014.3**
1.0	—	4.8	2.8	6.2	15.9
133.7	—	109.5	2.8	0.7	145.8
40.2	—	13.1	16.7	−7.9	41.5
179.0	—	199.2	3.1	—	167.6
22.7	—	14.4	2.2	—	34.8
376.6	**—**	**341.0**	**27.6**	**−1.0**	**405.6**
404.6	**14.4**	**376.1**	**47.6**	**−6.3**	**1,419.9**

GENERAL PRINCIPLES

The consolidated financial statements of the K+S GROUP as of and for the period ended 31 December 2015 have been prepared by K+S AKTIENGESELLSCHAFT based on the INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) of the INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB). All mandatory IFRS as of the reporting date, insofar as these have been recognised by the European Union, as well the additional requirements under commercial law set out in Section 315a of the German Commercial Code (HGB), have been taken into account. K+S AKTIENGESELLSCHAFT is a listed public limited company registered in Germany with its head office at Bertha-von-Suttner-Str. 7, 34131 Kassel, Germany.

In the interests of clear presentation, the individual items in the consolidated financial statements are presented in millions of euro (€ million). Rounding differences may arise in percentages and numbers.

The consolidated financial statements were prepared by the Board of Executive Directors on 26 February 2016 and will be presented to the Supervisory Board for approval for its meeting on 9 March 2016.

SCOPE OF CONSOLIDATION

Since the beginning of 2015, the following companies have been removed from the scope of consolidation as a result of merger:

+ GERMAN BULK CHARTERING GMBH

The following company was wound up in 2015 and subsequently removed from the scope of consolidation:

+ TRANSPORTE POR CONTAINERS S.A.

In 2015, more shares were acquired in the following companies by subsidiaries of K+S AKTIENGESELLSCHAFT:

+ 50 % share in SERVICIOS MARITIMOS PATILLOS S.A.
+ 0.00542 % share in K+S CHILE S.A.
+ 0.00161 % share in SERVICIOS PORTUARIOS PATILLOS S.A.

15 (previous year: 16) domestic and 42 (previous year: 43) foreign companies were fully included in the consolidated financial statements. 30 (previous year: 32) subsidiaries were not included in the consolidated financial statements and were stated at acquisition cost, as they are of minor importance for the consolidated financial statements with regard to balance sheet total, revenues and earnings.

As a general rule joint ventures and companies over which companies of the K+S GROUP exercise significant influence (associated companies) are measured using the equity method. The potential impact on earnings of accounting for such equity interests using the equity method is, however, immaterial from a Group perspective. As a result of their overall immateriality, all interests in joint ventures and associated companies were therefore stated at acquisition cost in financial year 2015 as in the previous year. On the balance sheet date, the carrying amount of these interests is € 0.1 million (previous year: € 0.1 million).

A complete overview of the interests of K+S AKTIENGESELLSCHAFT is available in the list of shareholdings on page 187.

CONSOLIDATION METHODS

SUBSIDIARIES

Subsidiaries are companies controlled by K+S AKTIENGESELLSCHAFT. Control is presumed to exist in cases where K+S AKTIENGESELLSCHAFT has pre-existing rights that currently enable it to control the relevant activities. The relevant activities are those that have a significant influence on the company's yields. As a rule, the ability to exercise control is based on K+S AKTIENGESELLSCHAFT directly or indirectly holding a majority of voting rights. Consolidation begins on the date when K+S AKTIENGESELLSCHAFT obtains the ability to exercise control.

The financial statements of the consolidated companies are prepared as of the balance sheet date for the consolidated financial statements. The assets and liabilities of the consolidated subsidiaries are recognised and measured uniformly in accordance with the policies described here and in the following notes.

Revenues, expenses and income between consolidated companies that arise while the companies affected are members of the K+S GROUP are eliminated in full. Similarly, receivables and liabilities between consolidated companies and inter-company profits resulting from deliveries and services between consolidated companies are eliminated, unless they are immaterial.

In the capital consolidation, the acquisition costs of the investments are set off against the share of the remeasured equity attributable to them as of the date of acquisition. Asset-side balances that remain after allocation to the assets and liabilities are carried as goodwill. Liability-side balances from capital consolidation are recorded directly affecting profit or loss.

JOINT ACTIVITIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Joint activities and joint ventures are defined by the existence of a contractual agreement, according to which K+S AKTIENGESELLSCHAFT directly or indirectly conducts the respective activities jointly with a company outside the Group.

Associated companies are companies over which K+S AKTIENGESELLSCHAFT directly or indirectly has significant influence.

Joint management agreements and associated companies on the reporting date were immaterial. Therefore, these companies are not included in the consolidated financial statements but recognised at acquisition cost less impairments.

ACCOUNTING AND VALUATION PRINCIPLES

RECORDING OF INCOME AND EXPENSES

Revenues are income resulting from ordinary activities. Revenues comprise sales of products and services net of sales deductions. Revenues deriving from the sale of products are reported as of the time when the associated risks of ownership have passed. Services are reported as revenues based on progress or after having been performed in full. In addition, payment must be sufficiently probable.

Revenues from customer-specific construction contracts are recognised using the percentage of completion method insofar as the outcome can be estimated reliably. The percentage of completion is determined on the basis of the expenses incurred in relation to anticipated total costs. Insofar as the outcome of a production order cannot be estimated reliably, revenues should only be recognised to the extent of the expenses incurred. While a project is in progress, contractual amendments introduced by customers with respect to the range of services to be rendered can increase or reduce contract revenues. An expected loss on a production order is immediately recognised as an expense.

Other operating income, such as interest or dividends, is recorded for the relevant period as of the time when a respective legal (contractual or statutory) claim arises.

Operating expenses are charged to profit or loss on the date of performance or at the time they are incurred.

INCOME FROM INVESTMENTS, NET

This item contains earnings from non-consolidated subsidiaries stated at acquisition cost, joint ventures, associated companies and other investments. Distributions, profit transfers, impairments and profits and losses from the disposal of these companies are included in the income from investments. In the financial year, income of € 5.8 million (previous year: € 4.8 million) and impairment charges of € 0.1 million (previous year: none) were realised.

INTANGIBLE ASSETS

Intangible assets acquired are stated at acquisition cost. Internally generated intangible assets are capitalised at their development cost (production costs). This approach is only used provided that they are likely to yield a future economic benefit and the costs of acquiring or producing such assets can be measured reliably.

Insofar as their useful lives can be determined, intangible assets are amortised on a scheduled basis. In the event of an indefinite useful life, no scheduled amortisation is recognised but impairment charges are recorded when required. An indefinite useful life is generally assumed in the case of goodwill.

Scheduled amortisation of intangible assets is recorded using the straight-line method based on customary useful lives. Intangible assets with a finite useful life are based on the following useful lives applied across the Group:

USEFUL LIVES FOR INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE TAB: 2.6.5

in years	
Customer relations	5–20
Brands	0–20
Port concessions	250
Other intangible assets	2–50

Impairment charges are recorded in case of impairment. If the reasons giving rise to previously recorded impairment charges no longer exist, a corresponding write-up is recognised that may not exceed the amortised carrying amount. Impairment charges to goodwill must not be reversed.

The value of goodwill is reviewed at least once a year. Impairment charges are recorded if required. A possible need for impairment is determined according to IAS 36 by comparing the carrying amounts for the cash-generating units to which goodwill is assigned, against the realisable amount. The realisable amount is the higher of the fair value less actual costs to sell and the value in use. The value in use is determined based on the discounted expected future cash flows from the cash-generating units to which the corresponding goodwill amounts are assigned.

CO_2 emission rights are measured for the first time at acquisition cost. Thus, rights granted free of charge are capitalised with a value of zero and those acquired for a consideration are capitalised at acquisition cost. If the fair value on the reporting date falls below the acquisition cost, the carrying amount of the cash-generating unit holding the emission rights is compared with the value in use of that unit within the framework of an impairment test.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition or production cost less scheduled depreciation and, if required, impairment charges. The acquisition or production costs also include future demolition and restoration expenses. Impairment charges are recognised for any impairment losses that exceed the scheduled depreciation already recorded; they are reported under other operating expenses. Such impairment losses are determined in accordance with IAS 36 by making a comparison of the carrying amounts with the discounted future cash flows that are expected for the assets affected. If no independent cash flows can be allocated to the assets affected, the cash flows for the corresponding cash-generating unit are used instead for comparative reasons. If the reasons giving rise to recorded impairment charges no longer exist, corresponding write-ups are recognised that may not exceed the amortised carrying amounts.

The raw material deposits acquired are recognised as fixed assets. Depreciation starts with the first-time extraction of raw materials. Gallery and excavation work are also shown as property, plant and equipment.

If property, plant and equipment are sold or shut down, the gain or loss represented by the difference between sales proceeds and the residual carrying amount is recorded under other operating income or expenses.

Scheduled amortisation of property, plant and equipment is recorded using the straight-line method based on customary useful lives. Property, plant and equipment is based on the following useful lives applied across the Group:

USEFUL LIVES FOR PROPERTY, PLANT AND EQUIPMENT TAB: 2.6.6

in years	
Buildings	14–33⅓
Raw material deposits	17–250
Gallery and excavation work	5–122
Technical equipment and machinery	4–25
Ships	25
Other equipment, operating and office equipment	3–10

CAPITALISATION OF BORROWING COSTS

Borrowing costs, which may be allocated directly to the acquisition, construction or manufacture of a qualifying asset, are to be capitalised as part of the acquisition or manufacturing costs of that asset. A qualifying asset exists if a period of at least one year is necessary to make it ready for its intended use or sale. If the qualifying asset is demonstrably not financed from outside funds, there are no borrowing costs to be capitalised. In the cash flow statement, capitalised borrowing costs are reported in the item 'Interest paid' under cash flow from operating activities.

LEASING

A lease relationship is an agreement under which the lessor transfers to the lessee the right to use an asset for a particular period of time in exchange for a single payment or a series of payments. Leases are sub-divided into finance leases and operating leases. A finance lease arises if substantially all the risks and rewards incident to ownership of an asset are transferred to the lessee and the latter is subsequently the beneficial owner of the asset. If that is the case, the lessee capitalises the asset at its fair value or, if lower, at the present value of the minimum lease payments. A corresponding amount is recognised as a liability arising from the lease. The asset is depreciated in a manner that essentially does not differ from the treatment applied to comparable assets under (legal) ownership. Lease payments from operating leases are recognised as expenses over the lease term on a straight-line basis, unless a different systematic basis more closely corresponds to the expected use over time. Conditional lease payments under an operating lease are expensed in the period they are incurred.

GOVERNMENT ASSISTANCE

Government assistance for the acquisition or production of property, plant and equipment (for example, investment premiums and grants) reduce the acquisition or production costs of the assets to which they relate. Performance-related assistance is offset against the corresponding expenses in the current year.

INVESTMENT PROPERTIES

Investment properties are primarily leased objects. They are stated at amortised cost less depreciation. Scheduled amortisation of investment property is recorded using the straight-line method based on customary useful lives. A useful life of 50 years is generally assumed. Income from the disposal of investment properties is recorded in the financial result.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AS WELL AS DISCONTINUED OPERATIONS

A non-current asset (or a disposal group) is classified as held for sale if the related carrying amount is principally recovered through a sale transaction rather than through continuing use. This is the case if the asset (or the disposal group) is available for sale in its present condition and if such sale is highly probable. Non-current assets (or disposal groups) which are classified as held for sale are stated at the lower of the carrying amount and the fair value less costs to sell. Depreciation of these assets no longer takes place.

An operation is disclosed as a discontinued operation if it was sold or is classified as held for sale and

+ which represents a separate major line of business or a geographical area of operations,
+ is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
+ represents a subsidiary exclusively acquired with a view to resale.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset for one of the parties to such contract and to a financial liability or equity instrument for the other party. As a rule, financial assets and financial liabilities are disclosed separately from each other (no offsetting). Financial assets mainly comprise cash on hand and balances with banks, trade receivables, receivables from customer-specific construction contracts, securities, financial investments as well as derivative financial instruments with a positive market value. Financial liabilities include, in particular, financial liabilities, trade payables as well as derivative financial instruments with a negative market value.

Financial instruments are initially recognised at their fair value as soon as the reporting enterprise becomes a contractual party for the financial instrument. Transaction costs that are to be allocated directly to the acquisition are then taken into account in determining the carrying amount when the financial instruments are not subsequently measured at fair value with recognition in profit or loss.

Financial assets that are not recorded at fair value through profit or loss are examined at each balance sheet date according to IAS 39 to determine if there are objective indications justifying the assumption that the financial assets may be impaired. Examples of such objective indications include significant payment difficulties of a debtor, breach of contract due to default or late interest and redemption payments, a high likelihood of debtor insolvency, major changes in the legal, technology or economic environment or the lasting and significant drop in the value of a listed equity instrument.

The classification of financial instruments to one of the following valuation categories defined in IAS 39 determines subsequent measurement:

LOANS AND RECEIVABLES:

This valuation category comprises non-derivative financial assets with fixed or determinable payments, which are not listed on an active market. These include trade receivables, loans, fixed- or variable-rate securities (without an active market) as well as bank deposits.

After being recognised for the first time, the financial assets belonging to this valuation category are measured at amortised cost applying the effective interest method less impairments. Non-interest-bearing or low-interest receivables due in more than three months are discounted. If there are objective indications, impairments are recognised in profit or loss through separate adjustment accounts. When the reasons for previously recorded impairments cease to apply, the impairments are reversed. Receivables are derecognised when settled or when they become uncollectible. Other assets are derecognised on disposal or in the absence of value.

FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS:

This valuation category comprises financial assets held for trading, which have been acquired with the intention to be sold over the short term. Derivatives with positive market values are also classified as held for trading unless they form part of a hedging relationship in accordance with IAS 39.

They are subsequently stated at fair value. Changes in fair value are recorded through profit or loss. Securities are derecognised after disposal on the settlement date.

FINANCIAL INVESTMENTS HELD TO MATURITY:

At present, the K+S GROUP holds no financial instruments in the valuation category 'Financial investments held to maturity'.

FINANCIAL ASSETS AVAILABLE FOR SALE:

This valuation category comprises non-derivative financial assets which have been determined to be available for sale or are not classified into any of the valuation categories mentioned above. This valuation category includes certain debt and equity instruments such as investments in (non-consolidated) affiliated companies.

They are stated for the first time and subsequently at fair value. If the fair value of equity instruments cannot be reliably determined since no active market exists, they are subsequently valued at acquisition cost (if applicable less impairment charges). This applies, for example, to investments in (non-consolidated) affiliated companies. Changes in fair value arising on subsequent measurement are recorded in the revaluation reserve and not recognized in profit or loss. Only at the time of disposal or if there are objective indications of impairment are the unrealized gains or losses previously recorded in the revaluation reserve recorded in profit or loss. If the reasons for a previously recorded impairment cease to apply, impairment reversals on debt instruments are recorded through profit or loss and increases in the value of equity instruments without affecting profit or loss.

FINANCIAL LIABILITIES VALUED AT AMORTISED COST:
All financial liabilities with the exception of derivative financial instruments are stated at amortised cost applying the effective interest method. Liabilities are derecognised on settlement or if the reasons for recognising a liability no longer apply.

FINANCIAL LIABILITIES VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS:
This valuation category comprises derivative financial instruments with negative market values which are essentially classified as 'Held for trading'. This rule does not apply to derivatives which are part of a hedging relationship in accordance with IAS 39.

DERIVATIVES

Derivatives are stated at fair value. Changes in fair value are recorded in the income statement through profit or loss. Derivatives are derecognised on the settlement date.

CUSTOMER-SPECIFIC CONSTRUCTION CONTRACTS

Customer-specific construction contracts are recognised according to the percentage of completion method. Services rendered, including the pro rata result, are disclosed in revenues in accordance with the percentage of completion. Orders are disclosed under receivables or liabilities from percentage of completion. If, in the individual case, cumulative work (order costs and profit/loss made on orders) exceeds the advance payments received, the construction contracts are capitalised under receivables from customer-specific construction contracts. If the balance after deduction of advance payments received is negative, this is recognised as a liability from customer-specific construction contracts.

INVENTORIES

In accordance with IAS 2, assets that are designated for sale in the normal course of business (finished goods and merchandise), are in the process of being produced for sale (work in progress) or are used in production or the rendering of services (raw materials and supplies) are recorded under inventories.

Inventories are valued at average cost or at the lower net realisable value. In addition to direct costs, production costs also include reasonable proportions of fixed and variable material and manufacturing overheads as long as they occur in connection with the production process. The same applies to general administrative expenses, pension and support expenses as well as other social expenses. Fixed overheads are allocated on the basis of normal capacity. The net realisable value corresponds to the estimated selling price less the costs that are yet to be incurred until completion as well as the necessary selling expenses.

CASH ON HAND AND BALANCES WITH BANKS

This item includes cheques, cash on hand and balances with banks. It also includes financial investments with a maturity of generally not more than three months counting from the time of acquisition.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provisions for pensions and similar obligations are computed in accordance with actuarial principles applying the projected unit credit method. The discount factor is computed on the basis of the yields for high-quality corporate bonds available on the reporting date. High-quality corporate bonds are those bonds that have an AA rating. Essentially, the corporate bonds to be applied here are those which correspond to the anticipated maturity and currency of the pension obligations. As the availability of correspondingly long-term corporate bonds at the balance sheet date was insufficient, the term-congruent interest rate in such cases was determined by means of extrapolation. Moreover, future expected salary and pension increases as well as cost increases regarding health care benefit commitments are taken into account. Insofar as plan assets exist, such assets are offset against the related obligations.

The net interest for a reporting period is determined by multiplying the net liabilities from the defined benefit pension plans (asset) by the discount factor given above. Both factors are determined at the beginning of the reporting period after taking into account anticipated allocations / disbursements.

Revaluations of the net liabilities from defined benefit pension plans are recorded in other comprehensive income. They include:

+ actuarial gains / losses,
+ income from plan assets without amounts included in the net interest attributable to the net liabilities from defined benefit pension plans (asset) and
+ changes in the effects of the assets' upper limit without amounts included in the net interest attributable to the net liabilities from defined benefit pension plans (asset).

MINING AND OTHER PROVISIONS

Provisions are recognised in an amount corresponding to the extent to which they are expected to be used for discharging present obligations in relation to third parties arising from a past event. Such utilisation must be more probable than improbable and it must be possible to reliably estimate the amount of the obligations. Non-current provisions with a residual maturity of more than one year are discounted applying a capital market rate of interest of suitable duration to take account of future cost increases insofar as the interest rate effect is material.

DEFERRED TAXES

In accordance with IAS 12, deferred taxes are determined using the balance sheet liability method that is commonly accepted internationally. This results in the recognition of deferred tax items for temporary differences between the tax values and the values in the consolidated balance sheet as well as for tax loss carryforwards. However, deferred tax assets are only recognised to the extent that it is sufficiently probable that they will be realised. Deferred taxes are measured applying the tax rates that, under current legislation, would apply in the future when the temporary differences will likely be reversed. The effects of changes in tax legislation on deferred tax assets and liabilities are recognised in profit or loss in the period in which the material conditions causing such amendment to enter into force arise. Deferred tax assets and liabilities are not discounted applying the rules contained in IAS 12. Deferred tax assets and liabilities are offset within individual companies or within tax group companies according to timing.

ACQUISITIONS

Business combinations are accounted for using the purchase method. In connection with the revaluation of a company that has been acquired, all hidden reserves and hidden liabilities of the acquired company are identified and assets, liabilities and contingent liabilities are stated at their fair value (taking into account the exceptions regulated in IFRS 3). Any resulting positive difference in relation to the costs of acquiring the company is capitalised as goodwill. A negative difference is recorded directly through profit or loss.

DISCRETIONARY ASSUMPTIONS AND ESTIMATES

DISCRETIONARY ASSUMPTIONS CONCERNING THE APPLICATION OF ACCOUNTING AND VALUATION METHODS

Non-current intangible assets, property, plant and equipment and investment properties are stated in the balance sheet at amortised cost. The option also allowed of reporting them at fair value, provided certain conditions are met, is not utilised.

ESTIMATES AND ASSUMPTIONS CONCERNING THE APPLICATION OF ACCOUNTING AND VALUATION METHODS

In terms of reason and amount, specific values stated in the IFRS financial statements are in part based on estimates as well as on the stipulation of certain assumptions. This is particularly necessary in the case of

+ determining the useful lives of depreciable fixed assets,
+ determining valuation assumptions and future earnings in connection with impairment tests, especially for capitalised goodwill,
+ determining the net realisable value of inventories,

- determining the parameters necessary for the valuation of pension provisions (discount factor, future development of wages / salaries and pensions),
- determining amounts, performance due dates and discount factors for the valuation of provisions for mining obligations,
- selecting parameters in connection with the model-based valuation of derivatives for example, assumptions regarding volatility and interest rate,
- determining the result of customer-specific construction contracts according to the percentage of completion method (estimate of contract progress, total contract costs, cost to be incurred until completion, total order-related revenues and contract-related risks),
- determining the usability of tax loss carryforwards as well as
- determining the fair value of intangible assets, property, plant and equipment as well as liabilities acquired in connection with a business combination, and determining the useful lives of the intangible assets and property, plant and equipment acquired.

Despite taking great care in producing such estimates, actual developments may differ from the assumptions made.

FOREIGN CURRENCY TRANSLATION

The annual financial statements of foreign Group companies are converted to euros in accordance with the functional currency concept set forth in IAS 21. All companies conduct their operations independently in financial, economic and organisational terms. The functional currency generally corresponds to the local currency. Assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Income and expenses are translated applying the average exchange rates for the quarter. The resulting currency translation differences are recorded in equity without recognition in profit or loss. If Group companies are no longer consolidated, the currency translation difference concerned is released and recognised in profit or loss.

In the case of 12 companies, the US dollar, in deviation from the local currency, is used as the functional currency, as these companies generate the majority of their cash inflows and cash outflows in this currency. The US dollar is used in the case of the following companies: COMPANIA MINERA PUNTA DE LOBOS LTDA., EMPRESA DE SERVICIOS LTDA., EMPRESA MARITIMA S.A., INAGUA GENERAL STORE LTD., INAGUA TRANSPORTS INC., INVERSIONES COLUMBUS LTDA., INVERSIONES EMPREMAR LTDA., K+S FINANCE BELGIUM BVBA, MORTON BAHAMAS LTD., SERVICIOS MARITIMOS PATILLOS S.A., SERVICIOS PORTUARIOS PATILLOS S.A. and K+S CHILE S.A.

The conversion of key currencies in the group was based on the following exchange rates per euro:

EXCHANGE RATES TAB: 2.6.7

	2015				
	Period-end exchange rate on 31 December	Quarterly average exchange rate Q1	Quarterly average exchange rate Q2	Quarterly average exchange rate Q3	Quarterly average exchange rate Q4
per € 1					
US dollar (USD)	1.089	1.126	1.105	1.112	1.095
Canadian dollar (CAD)	1.512	1.396	1.359	1.454	1.462
Czech koruna (CZK)	27.023	27.624	27.379	27.075	27.057
Brazilian real (BRL)	4.312	3.224	3.398	3.934	4.214
Chilean peso (CLP)	773.823	703.941	683.068	752.343	764.115
Great Britain pound (GBP)	0.734	0.743	0.721	0.717	0.722

EXCHANGE RATES TAB: 2.6.8

	2014				
	Period-end exchange rate on 31 December	Quarterly average exchange rate Q1	Quarterly average exchange rate Q2	Quarterly average exchange rate Q3	Quarterly average exchange rate Q4
per € 1					
US dollar (USD)	1.214	1.370	1.371	1.326	1.250
Canadian dollar (CAD)	1.406	1.511	1.495	1.442	1.419
Czech koruna (CZK)	27.735	27.442	27.446	27.619	27.630
Brazilian real (BRL)	3.221	3.240	3.058	3.014	3.176
Chilean peso (CLP)	736.291	756.208	761.019	765.159	747.252
Great Britain pound (GBP)	0.779	0.828	0.815	0.794	0.789

In the reporting year, translation differences of € 3.4 million on balance (previous year: € 19.8 million) were recorded in the income statement (for example, measurement / realisation of receivables and liabilities in a foreign currency), which were mainly shown in other operating income or expenses.

EFFECTS OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS TAB: 2.6.9

Standard / interpretation			Date of mandator application[1]	Date of mandatory application for K+S[2]
Change	Collective standard for the amendment of several IFRSs	Annual improvements in IFRSs, cycle 2011 – 2013	1 July 2014	1 January 2015
New	IFRIC 21	Levies	1 January 2014	17 June 2014

[1] To be first applied according to IASB to financial years commencing on or after this date.
[2] To be first applied to companies with their registered address in the EU to financial years commencing on or after this date. The application of new or amended IFRS standards or interpretations for companies with their registered address in the EU requires an endorsement by the EU Commission.

IFRIC 21 'LEVIES'

IFRIC 21 clarifies how and especially when government levies that do not fall under the area of application of another IFRS have to be recognised as liabilities according to IAS 37. Bank levies and basic tax are an example of such a levy under German law. The initial application of IFRIC 21 had no influence on the consolidated financial statements of the K+S GROUP.

The other changes to the accounting standards and interpretations had no material impact on the consolidated financial statements of the K+S GROUP.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED

The following accounting standards and interpretations were published by the IASB up to the balance sheet date; their application by the K+S GROUP will however only become mandatory at a later date.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED TAB: 2.6.10

Standard / interpretation			Date mandatory application¹	Date of mandatory application for K+S²
Change	Collective standard for the amendment of several IFRSs	Annual improvements in IFRSs, cycle 2010 – 2012	1 July 2014	1 February 2015
Change	IAS 19	Performance-oriented schemes: Employee contributions	1 July 2014	1 February 2015
Change	IAS 16, 41	Agriculture: Fruit-bearing plants	1 January 2016	1 January 2016
Change	IFRS 11	Accounting for the acquisition of shares in joint business activities	1 January 2016	1 January 2016
Change	IAS 16, 38	Clarification of acceptable depreciation and amortisation methods	1 January 2016	1 January 2016
Change	Collective standard for the amendment of several IFRSs	Annual improvements in IFRSs, cycle 2012 – 2014	1 January 2016	1 January 2016
Change	IAS 1	Disclosure initiative	1 January 2016	1 January 2016
Change	IAS 27	Equity method in separate financial statements	1 January 2016	1 January 2016
Change	IFRS 10, 12, IAS 28	Investment entities: Application of the consolidation exception	1 January 2016	Open
Change	IAS 7	Cash flow statement	1 January 2017	Open
Change	IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017	Open
New	IFRS 9	Financial instruments	1 January 2018	Open
New	IFRS 15	Proceeds from contracts with customers	1 January 2018	Open
New	IFRS 16	Leasing	1 January 2019	Open

[1] To be first applied according to IASB to financial years commencing on or after this date.
[2] To be first applied to companies with their registered address in the EU to financial years commencing on or after this date. The application of new or amended IFRS standards or interpretations for companies with their registered address in the EU requires an endorsement by the EU Commission.

IFRS 9 'FINANCIAL INSTRUMENTS'

IFRS 9 replaces the current standard for the accounting of financial instruments, IAS 39 'Financial instruments: Recognition and measurement'. The adoption of IFRS 9 means that the measurement of financial assets at 'amortised acquisition costs' or at 'fair value' will depend in future on the underlying business model as well as on the structuring of the contractually agreed payment streams. The new IFRS 9 regulations on recording impairments are based on expected defaults. Previously, impairments were only recorded if they applied to loss events that had already occurred. The regulations regarding the accounting of hedging relationships have also changed. These are now increasingly geared towards the corporate risk management strategy. The effects of IFRS 9 on the consolidated financial statements of the K+S GROUP are currently being examined. However, no material impact is expected from today's perspective.

IFRS 15 'PROCEEDS FROM CONTRACTS WITH CUSTOMERS'

IFRS 15 replaces the current standards IAS 11 'Construction contracts' and IAS 18 'Revenue' as well as the corresponding interpretations IFRIC 13 'Customer loyalty programs', IFRIC 15 'Arrangements for the construction of real estate', IFRIC 18 'Transfers of assets from customers' and SIC-31 'Revenue: 'Barter transactions involving advertising services'. The core principle of IFRS 15 is to record sales revenues in the amount of expected consideration from the customer for the performance obligation that is assumed (delivery of goods and / or services). IFRS 15 encompasses a five-stage model which (with few exceptions) applies to sales revenues from contracts with customers. The effects of IFRS 15 on the consolidated financial statements of the K+S GROUP are currently still under review. However, no material impact is expected from today's perspective.

IFRS 16 'LEASES'

IFRS 16 replaces the current standard IAS 17 'Leases' as well as the associated interpretations IFRIC 4 'Determining whether an arrangement contains a lease', SIC 15 'Operating leases – Incentives' and SIC 27 'Evaluating the substance of transactions in the legal form of a lease'. The core concept of the new standard is the uniform consideration of all leases on the part of the lessee. The previously required differentiation between financing and operating leases will thus cease to apply to the lessee in future. According to the new regulations, leases must be uniformly recorded on the balance sheet. The only exceptions are short-term leases of up to one year respectively for leases with an unlikely renewal option as well as for so-called 'small ticket leases' (for example, office furniture and equipment). The effects of IFRS 16 on the consolidated financial statements of the K+S GROUP are currently still under review.

From today's perspective, the extra changes to the accounting standards and interpretations have no material impact on the consolidated financial statements of the K+S GROUP.

NOTES TO THE INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

The income statement and statement of comprehensive income are shown on page 131. The income statement has been prepared in accordance with the cost of sales method.

The K+S GROUP uses derivatives to hedge market price change risks. The hedging strategy is explained in more detail in the notes (18). Hedging relationships according to IAS 39 are not formed between the derivatives and the described underlying transactions, so that fluctuations in the market values of the outstanding derivatives are recorded in the income statement through profit or loss. Earnings are furthermore impacted by the exercise / settlement, sale or expiry of derivatives used for hedging purposes.

In the income statement, the effects of hedging transactions are reported under the following items based on the purpose of hedging:

A) RESULTS FROM OPERATING FORECAST HEDGING TRANSACTIONS

All effects on earnings arising from the forecast hedging of operating transactions which will be recognised in profit or loss in future periods are combined in this earnings line item. 'Forecast' refers to underlying transactions expected with a high degree of probability, but have not yet been recognised in the balance sheet or income statement. The word 'operating' relates to underlying transactions which will have effects on EBIT. Significant cases of application are

+ hedging expected turnover in USD
+ hedging expected investments in Canadian dollars for the Legacy Project

B) OTHER OPERATING INCOME / EXPENSES

This item includes effects on results from hedging existing foreign currency receivables (for example, hedging USD receivables against currency fluctuations with a EUR / USD forward transaction).

C) FINANCIAL RESULT

Effects on earnings from the hedging of underlying transactions relating to financing, whose effects do not influence EBIT either in the current financial year or in future financial years, are shown in the financial result.

Internal controlling at the K+S GROUP is based, among other things, on operating earnings EBIT I. This differs from the EBIT II shown in the income statement in that no account is taken for market value fluctuations arising from operating forecast hedging transactions that result from market valuation during the term of the hedging instrument prescribed in accordance with IAS 39. As a result, the following effects are to be eliminated from the 'Result of operating forecast hedging transactions' in the income statement:

INCOME / EXPENSE FROM MARKET FLUCTUATIONS OF OUTSTANDING OPERATING FORECAST HEDGING TRANSACTIONS

Until maturity, hedging transactions are to be valued at market value on each balance sheet date. The deviation from the carrying amount is to be recorded as income or expense.

NEUTRALISATION OF MARKET VALUE FLUCTUATIONS RECORDED IN PRIOR PERIODS FOR REALISED OPERATING FORECAST HEDGES

The carrying amount of the hedge is to be derecognised at the time of realisation. Realisation takes place by the exercising / settlement, expiry or sale of the hedging instrument. The difference between the realised amount and carrying amount is the income or expense for the current period. As EBIT I is intended to show earnings free of influences from market valuation in accordance with IAS 39, market value fluctuations from earlier periods included in the carrying amount are to be eliminated.

In hedging of the expected investments in Canadian dollars, the above items along with all effects on results are eliminated when determining EBIT I. As the hedged underlying transactions (investments in Canadian dollars) are only recognised in EBIT I with a delay by means of depreciation, the disclosure – as a result of the absence of the earnings effects from the underlying transaction – of the earnings effects of these hedging transactions arising upon maturity on EBIT I would not result in the appropriate determination of earnings for the relevant period of time.

RECONCILIATION OF RESULT FROM OPERATING FORECAST HEDGES IN EBIT I TAB: 2.6.11

in € million	Notes	2015	2014
Result from operating forecast hedges	**(4)**	**–127.8**	**17.5**
Income (–)/expenses (+) from market value changes of operating forecast hedges still outstanding		85.5	–24.1
Neutralisation of market value fluctuations recorded in prior periods for realised operating forecast hedges		–22.0	9.0
Realised income (–)/expenses (+) of currency hedging for capital expenditure in Canada		2.5	–4.3
Result from operating forecast hedging transactions included in EBIT I		**–61.8**	**–1.9**

Due to the elimination of all market value fluctuations during the term, the result from operating forecast hedging transactions included in EBIT I corresponds to the value of the hedging transaction at the time of realisation (difference between the spot rate and hedging rate), in case of options less the premium paid or plus the premium received. The effects of hedging for the expected investments in Canadian dollars are generally not included in EBIT I (see above).

The reconciliation of EBIT II to the operating earnings EBIT I by eliminating the above effects is shown in a separate calculation below the statement of comprehensive income.

(1) REVENUES

The sales revenues of the K+S GROUP are € 4,175.5 million (previous year: € 3,821.7 million), with € 4,034.4 million (previous year: € 3,666.2 million) resulting from the sale of goods, € 136.5 million (previous year: € 149.5 million) resulting from the rendering of services and € 4.6 million (previous year: € 6.0 million) from accruals for customer-specific construction contracts. The breakdown of the revenues by business unit as well as intersegment revenues are presented in the segment information on page 136. The regional breakdown of the revenues is disclosed in the Notes to the segment reporting under Note (35).

(2) OTHER OPERATING INCOME

Other operating income includes the following material items:

OTHER OPERATING INCOME TAB: 2.6.12

in € million	2015	2014
Gains from exchange rate differences / hedging transactions	77.2	58.8
Reversals of provisions	41.7	61.5
Compensation and refunds received	25.1	46.3
Reversals of allowances for receivables	5.4	1.4
Income from letting and leasing	4.6	4.2
– of which investment properties	1.6	1.8
Income from disposal of property, plant and equipment and intangible assets	1.6	1.1
Sundry income	25.0	23.6
Other operating income	**180.6**	**196.9**

Compensation and refunds in 2015 include income from damages covered by insurance benefits in the amount of € 12.9 million for the shipping dock at MORTON BAHAMAS LTD. which sustained damage during a hurricane. The previous year's figure benefitted from a special item of € 36.0 million relating to an insurance payment following the suspension of operations at the Unterbreizbach site.

(3) OTHER OPERATING EXPENSES

Other operating expenses include the following material items:

OTHER OPERATING EXPENSES		TAB: 2.6.13
in € million	2015	2014
Losses from exchange rate differences / hedging transactions	77.8	53.9
Legacy-related expenses	41.1	14.4
Ancillary capital expenditure costs	12.8	16.1
Expenses related to consulting services, expert opinions and lawyers' fees	12.4	5.7
Depreciation and amortisation	8.3	8.3
Expenses unrelated to the reporting period	7.6	8.4
Losses from disposal of fixed assets	4.3	4.9
Expenses related to approval processes	4.2	5.8
Expenses / refunds for disused plants and maintenance of Merkers	3.6	10.2
Write-downs on trade receivables	3.0	0.9
Expenses related to leased investment properties	1.2	0.8
Expenses for maintenance of Frisia Zout	—	4.8
Allocations / utilisation of other provisions	– 5.7	7.2
Sundry expenses	30.0	28.9
Other operating expenses	**200.6**	**170.3**

(4) RESULT FROM OPERATING FORECAST HEDGES

RESULT FROM OPERATING FORECAST HEDGES		TAB: 2.6.14
in € million	2015	2014
Result from the realisation of currency hedging transactions (expected USD revenues)	– 39.8	– 10.9
– of which positive earnings contributions	11.1	4.7
– of which negative earnings contributions	– 50.9	– 15.6
Result from the realisation of currency hedging transactions (expected CAD capital expenditure)	– 2.5	4.3
– of which positive earnings contributions	12.2	17.8
– of which negative earnings contributions	– 14.7	– 13.5
Result from realised hedging transactions	**– 42.3**	**– 6.6**
Market value changes from hedging transactions yet to reach maturity (related to anticipated revenues in USD)	– 51.0	– 27.9
– of which positive market value changes	6.7	0.5
– of which negative market value changes	– 57.7	– 28.4
Market value changes from hedging transactions yet to reach maturity (related to anticipated capex in CAD)	– 34.5	52.0
– of which positive market value changes	—	52.4
– of which negative market value changes	– 34.5	– 0.4
Result from market value fluctuations for hedging transactions yet to reach maturity	**– 85.5**	**24.1**
Result from operating forecast hedges	**– 127.8**	**17.5**

/ **MORE INFORMATION ON 'RESULT FROM OPERATING FORECAST HEDGING TRANSACTIONS'** can be found in the 'Notes to the income statement and the statement of comprehensive income' on page 154.

(5) INTEREST INCOME, NET

INTEREST INCOME, NET TAB: 2.6.15

in € million	2015	2014
Interest and similar income from securities	3.6	18.3
Interest from credit institutions	3.3	4.8
Interest income pension provisions	0.1	0.4
Other interest and similar income	3.0	0.6
Interest income	**10.0**	**24.1**
Interest expenses bonds	– 52.7	– 80.8
Interest component from measurement of provisions for mining obligations	– 10.5	– 61.3
Interest expenses pension provisions	– 5.6	– 3.4
Capitalisation of borrowing costs	30.0	1.3
Other interest and similar expenses	– 13.7	– 8.7
Interest expenses	**– 52.5**	**– 152.9**
Interest income, net	**– 42.5**	**– 128.8**

In determining the capitalisation of borrowing costs, a financing cost rate of 3.5 % was applied (previous year: 3.5 %).

The 'Interest component from measurement of provisions for mining obligations' consists of the balance of the following items:

INTEREST COMPONENT OF PROVISIONS FOR MINING OBLIGATIONS TAB: 2.6.16

in € million	2015	2014
Interest effect from the change in the discount factor for mining provisions	—	– 39.8
Increase in mining provisions due to expiry ('accumulation')	– 27.0	– 27.3
Interest effect from the reversal of provisions for mining obligations	16.5	5.8
Interest component from measurement of provisions for mining obligations	**– 10.5**	**– 61.3**

(6) OTHER FINANCIAL RESULT

OTHER FINANCIAL RESULT TAB: 2.6.17

in € million	2015	2014
Result from realisation of financial assets / liabilities	37.7	15.5
Result from valuation of financial assets / liabilities	– 28.9	– 12.7
Other financial result	**8.8**	**2.8**

(7) TAXES ON INCOME

TAXES ON INCOME TAB: 2.6.18

in € million	2015	2014
Current taxes	205.2	127.8
– in Germany	157.3	131.4
– outside Germany	47.9	– 3.6
Deferred taxes	– 18.7	25.6
– in Germany	– 30.2	– 20.1
– outside Germany	11.5	45.7
– of which from loss and interest carryforwards	21.8	6.1
Taxes on income	**186.5**	**153.4**

Deferred taxes in Germany were calculated using a tax rate of 28.7 % (previous year: 28.6 %). In addition to an unchanged corporate income tax rate of 15.0 % and an unchanged solidarity surcharge of 5.5 %, an average trade tax rate of 12.9 % (previous year: 12.8 %) was taken into account. Deferred taxes in other countries are computed applying the respective national income tax rates for profit retention.

The following table reconciles the anticipated to the actual tax expense. The anticipated income tax expense was calculated based on a domestic Group income tax rate of 28.7 % (previous year: 28.6 %).

RECONCILIATION OF TAXES ON INCOME TAB: 2.6.19

in € million	2015	2014
Earnings before income taxes	681.9	534.6
Anticipated income tax expense (Group tax rate: 28.7 %; previous year: 28.6 %)	**195.7**	**152.9**
Changes in anticipated tax expense:	—	—
Reduction in tax resulting from tax-exempt income and other items	—	—
– Tax-exempt income from investments and profits on disposals	– 2.4	– 3.4
– Other tax-exempt income	– 22.4	– 23.9
Trade tax additions / reductions	1.3	2.4
Increase in tax resulting from non-tax-deductible expenses and other items	9.1	9.9
Permanent deviations	– 0.6	3.3
Allowances on / non-recognition of deferred tax assets	8.0	1.6
Effects from tax rate differences	– 5.2	– 7.7
Effects from tax rate changes	3.0	10.2
Taxes for preceding years	– 0.5	7.1
Other effects	0.5	1.0
Actual tax expense	**186.5**	**153.4**
Tax rate	**27.4 %**	**28.7 %**

(8) COST OF MATERIALS

COST OF MATERIALS TAB: 2.6.20

in € million	2015	2014
Cost of raw materials, consumables and supplies and of purchased merchandise	576.9	532.2
Cost of purchased services	645.0	529.1
Energy costs	246.8	267.7
Cost of materials	**1,468.7**	**1,329.0**

(9) PERSONNEL EXPENSES / EMPLOYEES

PERSONNEL EXPENSES TAB: 2.6.21

in € million	2015	2014
Personnel expenses	**1,080.0**	**1,013.7**

/ **MORE INFORMATION ON PERSONNEL EXPENSES AND THE 'LONG TERM INCENTIVE' PROGRAMME:** section 'Employees', page 36, and 'Remuneration Report', page 121

Under the employee share ownership programme, K+S GROUP employees have the option to acquire K+S shares at a discount. A one-year vesting period applies to employee shares. They are stated at fair value. Expenses totalling € 0.8 million were incurred in connection with the employee share ownership programme enacted in 2015 (previous year: € 0.8 million).

EMPLOYEES INCLUDING TEMPORARY EMPLOYEES TAB: 2.6.22

Annual average (FTE)	2015	2014
Germany	9,882	9,986
Outside Germany	4,394	4,309
Total	**14,276**	**14,295**
– of which trainees	513	534

(10) EARNINGS PER SHARE

EARNINGS PER SHARE TAB: 2.6.23

in € million	2015	2014
Group earnings after taxes and minority interests	**495.2**	**380.5**
Average number of shares (in millions)	191.4	191.4
Earnings per share in € (undiluted = diluted)	**2.59**	**1.99**
Group earnings after taxes, adjusted[1]	**542.3**	**366.6**
Earnings per share in €, adjusted[1]	**2.83**	**1.92**

[1] The adjusted key figures only include the return from operating forecast hedges in the respective reporting period shown under EBIT I (see also 'Notes to the income statement and the statement of comprehensive income' on page 154). Related effects on deferred and cash taxes are also eliminated; tax rate in 2015: 28.7% (previous year: 28.6%).

In accordance with IAS 33, earnings per share are to be determined on the basis of Group earnings. Given the limited economic meaningfulness of unadjusted Group earnings, we additionally report adjusted Group earnings, which only contain the result from operating forecast hedging transactions of the respective reporting period included in EBIT I.

Undiluted, adjusted earnings per share are computed by dividing adjusted Group earnings after taxes and minority interests by the weighted average number of shares outstanding. As none of the conditions resulting in the dilution of earnings per share exist in the case of K+S at the present time, undiluted earnings per share correspond to diluted earnings per share.

NOTES TO THE BALANCE SHEET

The balance sheet is presented on page 132. The balance sheet is organised according to the maturity of the assets and liabilities. The development of the gross carrying amounts and the depreciation/amortisation of the individual fixed asset items is shown separately on page 138.

(11) INTANGIBLE ASSETS

The amortisation charges for the financial year are disclosed in the income statement in line with the use of the assets concerned under the following items:

+ Cost of sales
+ Selling expenses
+ General and administrative expenses
+ Research and development costs
+ Other operating expenses

The goodwill from acquisitions disclosed in the consolidated balance sheet is allocated to the following cash-generating units (CGUs):

BREAKDOWN OF GOODWILL BY CASH-GENERATING UNIT TAB: 2.6.24

in € million	2015	2014
CGU Salt America	696.0	643.9
CGU Potash and Magnesium Products	16.2	17.4
CGU Salt Europe	13.7	13.3
Total goodwill	**725.9**	**674.6**

The Salt business unit is divided into the cash-generating units Salt America and Salt Europe. The increase in the goodwill items allocated to the CGU Salt America is based predominantly on effects of the foreign currency translation on the balance sheet date.

In connection with the examination of goodwill for impairment, the residual carrying amounts for the respective cash-generating units were compared with their value in use. The determination of the values in use was based on the present value of the future cash flows of the business units assuming continued use. The cash flow forecast is based on the current medium-term plans of the K+S GROUP or the respective business units. The medium-term plans are based on own experience, current business performance, and the best possible estimate of individual influencing factors such as energy and freight costs, or fluctuations in currency exchange rates. Market assumptions are included as described in the Forecast Report.

The forecast period covers the years 2016 to 2018 for CGU Salt America and CGU Salt Europe as well as 2016 to 2025 for CGU Potash and Magnesium Products; moreover, a growth rate of 2.0 % (previous year: 2.0 %) for nominal cash flows from the year 2019 or 2026 was assumed to compensate for inflation with respect to costs and revenues after the end of the detailed planning period. The forecast period of CGU Potash and Magnesium Products until 2025 contains the successive expansion of production capacity due to the Legacy Project in Canada.

The following discount factors were applied as at the end of the financial year:

DISCOUNT FACTORS IMPAIRMENT TEST TAB: 2.6.25

	2015		2014	
	Before taxes	After taxes	Before taxes	After taxes
Interest rates in %				
CGU Salt America	8.3	6.0	8.4	6.0
CGU Potash and Magnesium Products	8.3	6.0	8.4	6.0
CGU Salt Europe	8.3	6.0	8.4	6.0

The rates of interest for the cash-generating units correspond to the weighted cost of capital for the K+S GROUP before and after taxes.

/ **COMPUTATION OF THE COST OF CAPITAL:** page 88

The impairment tests conducted at the end of the 2015 financial year confirmed that the goodwill items were not impaired. According to our estimate, realistic changes in the fundamental assumptions on which the process of determining the values in use is based would not result in the carrying amount of the particular cash-generating unit exceeding its value in use.

Brand rights totalling € 115.7 million (previous year: € 106.1 million) are, in view of their level of awareness in the relevant sales regions as well as their strategic relevance, classified as assets with indefinite useful lives. These brand rights are fully allocated to CGU Salt America.

The impairment test of the brand rights with indefinite useful lives, conducted on an annual basis, was carried out by comparing the values in use of the brands with the carrying amounts. The value in use was determined using the relief-from-royalty method, which derives the brand value from the licence costs saved. The brand-specific revenues for the years 2016–2019 were determined on the basis of the corporate planning, and an annual growth rate of 2.0 % (previous year: 2.0 %) was assumed for the period from 2020. The applicable licence prices for the brands were derived from third-party comparisons. The value in use was then determined by discounting the licence costs saved with a risk-adjusted pre-tax interest rate of 12.5 % (previous year: 12.6 %). The impairment test on the brands carried out on this basis at the end of the 2015 financial year did not result in any impairment charges.

The customer relationships deriving from the acquisition of the MORTON GROUP are a significant intangible asset. As of 31 December 2015, the carrying amount totalled € 131.8 million (previous year: € 135.4 million), the remaining useful life as of the balance sheet date was about 11 years (previous year: 12 years).

(12) INVESTMENT PROPERTIES

As of 31 December 2015, the fair values of investment properties amounted to € 18.4 million (previous year: € 19.0 million). The fair values were estimated by internal specialist departments on the basis of local market conditions. In determining the values, particular account was taken of local property valuation records and, in part, of external valuation reports. The valuation methods correspond to level 3 of the three-tier valuation hierarchy set out in IFRS 13.

(13) FINANCIAL ASSETS

An amount of € 13.6 million (previous year: € 13.1 million) is accounted for by investments in affiliated companies as well as equity interests. Of this amount, € 0.5 million (previous year: € 0.6 million) relates to other loans (mainly to employees) and other financial assets. The effective annual rates of interest again range between 0 and 5.0 % and the remaining fixed interest period range between one year and 20 years.

The maximum default risk as of the balance sheet date corresponds to the amount stated in the balance sheet. There are no specific reasons that would suggest the possible occurrence of defaults. There are no significant concentrations of default risk.

(14) SECURITIES AND OTHER FINANCIAL INVESTMENTS

SECURITIES AND OTHER FINANCIAL INVESTMENTS TAB: 2.6.26

in € million	2015	2014
Securities and other financial investments (non-current)	—	33.3
Securities and other financial investments (current)	40.0	534.8
Securities and other financial investments	**40.0**	**568.1**

This item includes various investments (commercial papers, bonds, promissory notes, investment funds and repo business), which, in accordance with IAS 39, are classified as 'Loans and receivables' or 'Available-for-sale financial assets'. In the previous year, this item also included investment funds and zero bonds.

(15) DEFERRED TAXES

The following capitalised deferred tax assets and liabilities relate to recognition and measurement differences for individual balance sheet line items and tax loss carryforwards:

DEFERRED TAXES TAB: 2.6.27

	Deferred tax assets		Deferred tax liabilities	
in € million	2015	2014	2015	2014
Intangible assets	3.3	3.8	119.9	111.1
Property, plant and equipment	21.4	24.1	421.6	431.5
Inventories	2.7	1.3	0.4	2.3
Accounts receivable – trade	0.8	1.0	5.0	8.7
Other financial assets	11.5	11.9	14.5	21.6
– of which derivative financial instruments	5.1	1.4	2.7	8.4
Provisions	232.6	227.0	4.1	3.1
Accounts payable – trade	—	—	0.1	—
Other financial liabilities	19.9	9.3	7.7	6.3
– of which derivative financial instruments	8.2	5.8	—	—
Gross amount	**292.2**	**278.4**	**573.3**	**584.6**
– of which non-current	249.7	248.5	562.3	561.6
Allowances	– 2.1	—	—	—
Tax loss carryforwards	69.0	93.6	—	—
Consolidations	18.6	4.7	—	– 6.5
Balances	– 278.8	– 302.3	– 278.8	– 302.3
Balance sheet carrying amount (net)	**98.9**	**74.4**	**294.5**	**275.8**

Deferred taxes totalling € 20.7 million (previous year: € 11.2 million) were not capitalised as utilisation of the underlying loss carryforwards or the realisation of taxable income appears unlikely. The underlying loss carryforwards amount to € 253.7 million (previous year: € 170.3 million).

In the reporting year, deferred taxes of € 4.2 million (previous year: € 4.3 million) were recorded as other income.

The balance sheet value of the deferred taxes changed by € 5.8 million as of 31 December 2015 (previous year: € 38.7 million), which contains an increase in deferred tax assets of € 24.5 million (previous year: € 41.0 million) and an increase in deferred tax liabilities of € 18.7 million (previous year: € 79.7 million).

Taking into account the deferred taxes of € 4.2 million recorded as other income in the reporting year (previous year: € 4.3 million) and currency-related effects of € 8.7 million (previous year: € –17.4 million), this results in deferred tax income of € 18.7 million disclosed in the income statement (previous year: € –25.6 million).

Temporary differences of € 306.9 million (previous year: € 263.9 million) are related to shares in subsidiaries for which no deferred tax liabilities are accrued in accordance with IAS 12.39.

(16) INVENTORIES

INVENTORIES TAB: 2.6.28

in € million	2015	2014
Raw materials, consumables and supplies	230.8	214.5
Unfinished goods, work in progress	21.4	18.2
Finished products and merchandise	453.1	346.1
Inventories	**705.3**	**578.8**

Inventories of € 50.8 million (previous year: € 44.3 million) were stated at net realisable value. The reporting of net realisable value resulted in write-downs of € 1.4 million (previous year: € 0.9 million) during the period under review.

(17) ACCOUNTS RECEIVABLE – TRADE AND OTHER FINANCIAL ASSETS

ACCOUNTS RECEIVABLE – TRADE AND OTHER FINANCIAL ASSETS TAB: 2.6.29

in € million	2015	of which residual term over 1 year	2014	of which residual term over 1 year
Accounts receivable trade	708.6	—	732.9	—
Other financial assets	213.3	112.1	196.6	114.0
– of which derivative financial instruments	30.4	18.6	56.2	25.3
– of which claim for reimbursement Morton Salt bond	22.4	22.2	20.3	20.1
– of which receivables from affiliated companies	6.0	—	7.0	—
Accounts receivable – trade and other financial assets	**921.9**	**112.1**	**929.5**	**114.0**

The allowances for trade receivables and other financial assets have developed as follows:

ALLOWANCES TAB: 2.6.30

in € million	2015	2014
Balance as of 1 January	11.8	12.5
Additions	3.0	0.9
Reversal	5.4	1.4
Utilisation	1.3	0.2
Other changes	3.0	—
Balance as of 31 December	**5.1**	**11.8**

Allowances of € 4.9 million (previous year: € 11.6 million) were disclosed for the trade receivables portfolio as of 31 December 2014. Of this, € 0.2 million (previous year: € 0.2 million) result from allowances and other financial assets. The allowances are based on the assessment of the existing risk of default. If receivables have a residual term of more than three months, they are discounted applying interest rates as of the balance sheet date.

As of 31 December 2015, € 0.2 million in non-interest-bearing and low-interest receivables were discounted (previous year: € 0.1 million).

The following table provides information about the extent of the risks of default contained in the items 'Accounts receivable – trade'.

DEFAULT RISKS TAB: 2.6.31

in € million	Carrying amount	of which neither overdue nor adjusted as of the reporting date	of which unadjusted but overdue as of the reporting date since			
			< 30 days	> 31 and < 90 days	> 91 and < 180 days	> 180 days
2015						
Accounts receivable – trade	708.6	659.5	12.4	10.3	2.1	9.4
2014						
Accounts receivable – trade	732.9	645.9	25.5	10.8	12.5	10.4

As of the balance sheet date, € 10.2 million (previous year: € 6.5 million) of the unimpaired other financial assets was overdue.

The risk of default is the risk of a contractual partner failing to discharge its contractual payment obligations. Customer receivables are to the largest extent secured against a default risk by means of appropriate insurance coverage and other hedging instruments. Across the Group, 71 % (previous year: 66 %) of all insurable receivables are hedged against default. This ensures that only a low partial loss is incurred in the event of default. An internal credit check is conducted in the case of customers for whom such cover cannot be obtained. There is no significant concentration of risk with respect to receivables.

Receivables management is geared towards collecting all outstanding accounts punctually and in full as well as towards avoiding the loss of receivables. Invoices are issued on a daily basis and invoice data is transferred to debtor accounts online. Accounts outstanding are monitored on an ongoing basis with system support and in line with the payment terms agreed with the customers. Payment terms generally range from 10 to 180 days, with longer terms being customary in some markets. In the case of late payment, reminders are issued at regular two-week intervals.

The maximum risk of default with respect to receivables and other financial assets is reflected in the carrying amount disclosed in the balance sheet. As of 31 December 2015, the maximum default amount in the highly unlikely event of a simultaneous default on all unsecured receivables was € 229.6 million (previous year: € 276.7 million).

Non-current other financial assets include financial assets of € 51.3 million (previous year: € 52.8 million) that were deposited as collateral for obligations. These largely affect the depositing of financial funds, which is restricted in terms of time, for securing a bank guarantee that are then available again after the expiry of the guarantee period.

The receivables arising from the accounting treatment of customer-specific construction contracts comprise the following:

CUSTOMER-SPECIFIC CONSTRUCTION CONTRACTS TAB: 2.6.32

in € million	2015	2014
Contract costs incurred and contract gains recognised	22.4	17.8
Less advance payments received	18.7	14.0
Receivables from customer-specific construction contracts	**3.7**	**3.8**

(18) DERIVATIVE FINANCIAL INSTRUMENTS

Currency and interest rate management is performed centrally for all Group companies. This also applies to the use of derivative financial instruments, for example, those aimed at limiting certain costs. The use of derivative financial instruments is regulated by guidelines and procedural instructions. A strict segregation of functions is ensured between trading, settlement and control. Derivative financial instruments are only traded with banks that have a good credit rating, which is monitored continually by means of appropriate instruments. In principle, the entire portfolio of derivative financial instruments is distributed amongst several banks to reduce the risk of default. The level of risk of default is limited to the amount of the derivatives capitalised on the balance sheet.

The goal of interest rate management is to curb the risks arising from an increasing interest burden for financial liabilities as well as the risks arising from declining interest income from financial assets as a result of changes in the general level of interest rates. No countermeasures are currently necessary in respect of the financial liabilities, as the financial liabilities existing on the balance sheet date carry a fixed interest rate. In the case of the financial assets, there is currently no identifiable need for action on account of the short residual term and the low interest rates meaning that the risk of declining rates is minimal.

Derivatives are used to hedge exchange rate risks in order to limit the risks to which the operating business activities can be exposed as a result of changes in exchange rates. Exchange rate risks exist mainly with respect to the US dollar and the Canadian dollar, and, to a lesser extent, the British pound and the Chilean peso. Hedging transactions are executed in relation to billed receivables and anticipated net positions on the basis of projected revenues. In this regard, the net positions are determined on the basis of revenue and cost budgeting using safety margins and updated on an ongoing basis to avoid excess hedging or hedging shortfalls.

The hedging transactions used can have terms of up to three years for the hedging of anticipated positions. The main objective is the hedging of a worst-case scenario. Here, futures and plain vanilla options are used, whereby the participation in a favourable market development is generally limited by the sale of simple options. This also serves to reduce premium expenses. Basically, it is also possible to use compound options consisting of an option on a simple option, which can be acquired at a later date for a fixed amount.

The terms of hedging transactions in respect of billed receivables are less than one year, according to the agreed payment terms.

The hedging transactions in respect of anticipated net positions as described above are used in the Potash and Magnesium Products business unit for US dollar positions as well as for Canadian dollar positions connected with the Legacy Project. Hedging transactions in respect of billed receivables are concluded in the Potash and Magnesium Products business unit.

Trading in all the aforementioned derivatives is solely OTC. Because of market transparency, forward exchange transactions are concluded directly with a bank after a comparison with interbank terms has been made by means of a reference system. There is no such transparent market for trading in options. For this reason quotations are obtained from several banks for all substantial option transactions, so that a transaction can then be executed with the bank providing the best quotation.

In the case of forward exchange transactions, there is a market value risk on the respective reporting date. However, there are countervailing effects stemming from the currency-based measurement of receivables when derivatives are used in order to hedge foreign currency receivables.

The market values computed correspond to the value upon hypothetical early transfer on the balance sheet date. The values are computed using recognised mathematical models generally used by market participants. These computations were particularly based on the following parameters that applied on the balance sheet date:

+ the spot exchange and forward exchange rates of the currencies concerned,
+ the agreed hedging rates and exercise prices,
+ the traded volatilities, i.e., the expected fluctuation range of the exchange rates in question,
+ the interest rate level applicable to the currencies concerned, and
+ the counterparty risk.

IAS 39 permits hedging relationships to be established between underlying business transactions and derivative financial instruments. However, this is principally not applied (see 'Notes to the income statement and the statement of comprehensive income' on page 154).

The following derivative foreign exchange transactions existed as at 31 December 2015:

DERIVATIVE FOREIGN EXCHANGE TRANSACTIONS TAB: 2.6.33

	2015		2014	
	Nominal values[1]	Fair values	Nominal values[1]	Fair values
in € million				
GBP forward exchange transactions				
– of which maturing in 2015	–	–	9.3	–0.1
– of which maturing in 2016	14.3	0.2	–	–
CAD forward exchange transactions				
– of which maturing in 2015	–	–	597.4	23.6
– of which maturing in 2016	466.2	0.2	286.6	19.7
– of which maturing in 2017	180.9	–15.7	20.2	0.4
USD forward exchange transactions				
– of which maturing in 2015	–	–	295.6	–6.6
– of which maturing in 2016	863.2	–18.3	–	–
CLP forward exchange transactions				
– of which maturing in 2015	–	–	28.6	–0.1
– of which maturing in 2016	24.6	–1.0	–	–
BRL forward exchange transactions				
– of which maturing in 2015	–	–	2.0	–
Simple currency options purchased (USD)				
– of which maturing in 2015	–	–	456.9	0.9
– of which maturing in 2016	339.7	1.8	235.3	5.2
– of which maturing in 2017	403.8	15.0	–	–
Simple currency options sold (USD)				
– of which maturing in 2015	–	–	398.4	–17.6
– of which maturing in 2016	373.0	–28.8	246.7	–9.2
– of which maturing in 2017	463.6	–7.8	–	–
Simple currency options purchased (CAD)				
– of which maturing in 2017	151.4	0.8	–	–
– of which maturing in 2018	69.3	2.8	–	–
Simple currency options sold (CAD)				
– of which maturing in 2017	139.7	–9.5	–	–
– of which maturing in 2018	64.9	–3.0	–	–
Foreign currency transactions in total	**3,554.7**	**–63.3**	**2,577.1**	**16.3**

[1] In euros using weighted average rates.

How the aforementioned market values would have changed assuming a change of ± 10 % in spot rates on the balance sheet date is shown below:

SENSITIVITY OF DERIVATIVE FOREIGN EXCHANGE FINANCIAL TRANSACTIONS 2015 TAB: 2.6.34

	Base value	Base value + 10 %	Base value – 10 %	Fair value changes + 10 % in € million	Fair value changes – 10 % in € million
EUR/USD	1.089	1.198	0.980	60.0	–65.9
EUR/CAD	1.512	1.663	1.360	–35.3	43.0
EUR/GBP	0.734	0.807	0.661	1.3	–1.6
USD/CLP	708.600	779.460	637.740	–1.8	2.7
USD/CAD	1.388	1.527	1.250	–20.0	27.8
Total				**4.1**	**6.2**

The following values on the balance sheet date of the previous year were as follows:

SENSITIVITY OF DERIVATIVE FOREIGN EXCHANGE FINANCIAL TRANSACTIONS 2014 TAB: 2.6.35

	Base value	Base value + 10 %	Base value – 10 %	Fair value changes + 10 % in € million	Fair value changes –10 % in € million
EUR/USD	1.214	1.336	1.093	45.8	–70.4
EUR/CAD	1.406	1.547	1.266	–65.0	79.2
EUR/GBP	0.779	0.857	0.701	0.7	–0.8
USD/CLP	606.450	667.095	545.805	–2.6	3.1
USD/BRL	2.653	2.918	2.387	–0.2	0.2
Total				**–21.3**	**11.3**

The aforementioned market value changes would have resulted in a corresponding increase or reduction in unadjusted Group earnings before taxes and in equity.

(19) EQUITY

The development of individual equity items is shown separately on page 134.

SUBSCRIBED CAPITAL

The subscribed capital of K+S AKTIENGESELLSCHAFT is the same as in the previous year at € 191.4 million and is divided into 191.4 million no-par value registered shares. In the 2015 financial year, there was an average of 191.4 million (previous year: 191.4 million) no-par value shares in circulation.

According to the resolution passed by the Annual General Meeting on 12 May 2015, the Board of Executive Directors was authorised to acquire own shares up to 10 % of the share capital by 11 May 2020. Purchases would be made on a stock exchange or by means of a public purchase offer directed to all shareholders. In the case of a purchase effected on a stock exchange or a public purchase offer addressed to all shareholders, the purchase price per share (exclusive of ancillary purchase costs) paid by the Company may not exceed or undercut the relevant exchange price by more than 10 %. In the 2015 financial year, K+S AKTIENGESELLSCHAFT did not make use of the authorisation.

SUBSCRIBED CAPITAL TAB: 2.6.36

in € million	Shares outstanding	Subscribed capital
31.12.2013	191.4	191.4
31.12.2014	191.4	191.4
31.12.2015	191.4	191.4

CAPITAL RESERVE

The capital reserve mainly consists of the share premium received as part of share issues of K+S AKTIENGESELLSCHAFT.

OTHER RESERVES AND ACCUMULATED PROFIT

This item summarises the revenue reserves, the accumulated profit, the differences from currency translation, fair valuation reserve of securities which are classified as 'financial assets available for sale' and revaluation from pensions and similar obligations.

The revenue reserves mainly consist of past earnings of the consolidated companies less dividends paid to shareholders. The item 'Differences from foreign currency translation' mainly comprises differences from the translation of the functional currency of foreign business operations into the reporting currency of the Group (€).

OTHER COMPREHENSIVE INCOME TAB: 2.6.37

			2015			2014
in € million	Before taxes	Tax effect	Net	Before taxes	Tax effect	Net
Items that may be reclassified subsequently to profit or loss	**0.9**	**–2.8**	**–1.9**	**298.2**	**–4.1**	**294.1**
Financial assets available for sale	–4.1	0.6	–3.5	2.1	–0.5	1.6
– thereof changes in fair value	—	—	—	1.7	–0.5	1.2
– thereof reclassification into profit or loss	–4.1	0.6	–3.5	0.4	—	0.4
Difference resulting from foreign currency translation	5.0	–3.4	1.6	296.1	–3.6	292.5
– thereof realised gains/losses	5.0	–3.4	1.6	296.1	–3.6	292.5
Items that will not be reclassified to profit or loss	**3.9**	**–4.2**	**–0.3**	**–57.3**	**7.7**	**–49.6**
Revaluation of net debt/defined benefit pension plan assets	3.9	–4.2	–0.3	–57.3	7.7	–49.6
Other comprehensive income	4.8	–7.0	–2.2	240.9	3.6	244.5

ACCUMULATED PROFIT OF THE INDIVIDUAL FINANCIAL STATEMENTS OF K+S AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE (HGB))

For dividend distribution the annual financial statements of K+S AKTIENGESELLSCHAFT as prepared in accordance with the German Commercial Code (HGB) are decisive. It is intended to propose to the Annual General Meeting that a dividend of € 1.15 per share (previous year: € 0.90), i.e., € 220.1 million in total (previous year: € 172.3 million) be distributed to the shareholders and the remaining amount of € 53.4 million (previous year: € 10.0 million) be allocated to reserves. As of the balance sheet date, the following accumulated profit was disclosed in the individual financial statements of K+S AKTIENGESELLSCHAFT:

ACCUMULATED PROFIT OF K+S AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE (HGB)) TAB: 2.6.38

in € million	2015	2014
Accumulated profit of K+S Aktiengesellschaft as of 1 January	182.3	182.3
Dividend payment for previous year	– 172.3	– 47.9
Net income of K+S Aktiengesellschaft	273.5	261.8
Allocation to other revenue reserves (resolution passed by the Annual General Meeting)	– 10.1	– 134.4
Allocation from net income to other revenue reserves	—	– 79.5
Accumulated profit of K+S Aktiengesellschaft as of 31 December	**273.4**	**182.3**

(20) INFORMATION ABOUT CAPITAL MANAGEMENT

The aim of capital management in the K+S GROUP is to ensure and control liquidity across the Group, maintain and optimise financing capability as well as reduce financial risks. The financial policy instruments for attaining these aims essentially include financing measures that affect both equity capital and debt. All financing measures in the Company, which also include cash, currency and interest rate management, are coordinated and managed by the central treasury unit.

Capital management is guided by financial figures such as net debt/EBITDA, net debt/equity and the equity ratio.

Equity and debt were as follows on the balance sheet day:

CAPITAL MANAGEMENT TAB: 2.6.39

in € million	2015	2014
Equity	4,295.6	3,974.5
Non-current debt	3,036.8	2,999.8
Current debt	941.2	880.9
Balance sheet total	**8,273.6**	**7,855.2**
– Equity ratio	51.9 %	50.6 %
– Debt ratio	48.1 %	49.4 %

Equity rose by € 321.1 million compared with the previous year (previous year: € + 577.9 million). The increase in equity is based mainly on the positive Group earnings in the 2015 financial year (after taxes and minority interests) amounting to € 495.2 million (previous year: € + 380.5 million). This was accompanied by a dividend payout of € 172.3 million in May 2015 (previous year: € 47.9 million).

Non-current debt has increased by € 37.0 million (previous year: € + 313.0 million). Non-current debt recorded an increase of € 60.3 million (previous year: € – 533.9 million).

(21) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The K+S GROUP has assumed a number of defined benefit pension commitments. Most of the commitments relate to Germany and Canada.

GERMANY

A significant pension plan in Germany is the K+S pension scheme, which essentially consists of a basic pension, a supplementary pension II as well as rules governing vesting rights. The basic pension is based on a modular system, under which hypothetical contributions corresponding to a certain percentage of pensionable income are collected annually. The pension entitlement is computed by applying a fixed percentage to total hypothetical contributions.

Supplementary pension II is a final salary plan, with the corresponding entitlement based on certain percentages for salary components above statutory and miners' insurance multiplied by the number of pensionable years of service. Fixed euro amounts or vested rights to final salary percentages were granted in the case of periods of service before the introduction of the basic pension and supplementary pension II. This pension plan has been discontinued in the meantime, so that no other employees are eligible to acquire the benefits.

Alongside the K+S pension scheme, numerous individual commitments were made, especially in relation to members of the Board of Executive Directors and senior management. They are generally based on a modular system, under which a certain percentage of pensionable annual income is converted into a lifelong pension applying an age-related factor. The total entitlement corresponds to the sum of the individual year-based modules. In this context, a certain defined pension level may not be exceeded.

In addition, there are further company-specific pension commitments in Germany that were already discontinued some years ago. Most of the beneficiaries are already drawing pensions.

All pension obligations in Germany are essentially covered by means of a contractual trust arrangement (CTA). The vehicle used for this is the K+S VERMÖGENSTREUHÄNDER E. V., which was established in 2005, and manages the assets dedicated to the servicing of pension obligations on a fiduciary basis. While the pension payments continue to be made by the respective company, the payments are generally reimbursed by the CTA as they arise. There are no minimum funding requirements.

CANADA

In Canada, alongside defined benefit pension commitments, there are pension-like plans which entail commitments, for example, to provide medical benefits to those eligible under them upon retirement.

The pension plans essentially provide for benefits that are computed as a percentage of the average five highest annual salaries while taking into account length of service. In this context, certain upper limits have to be observed. With effect from 1 January 2013, the plan was converted into a defined contribution plan for some of those eligible under it. The conversion was prospective, which means that claims acquired up to that point in time remain unchanged. Pension plans in Canada are regulated by law, e.g., by the FINANCIAL SERVICES COMMISSION in Ontario and the CANADA REVENUE AGENCY. There are minimum funding requirements under the Pension Benefits Act (Ontario). To satisfy them, an independent actuarial valuation is generally performed in the middle of the year. The aim is to determine the funded status of the pension plan in accordance with legal requirements. If the plan is underfunded, the shortfall must be made up within a period of five to 15 years based on the type of shortfall. The valuation differs from an IFRS valuation in that, for example, a different discount factor is applied.

The Canadian plan assets are held by an external company. It is responsible for the payment of pensions to pensioners as well as the fiduciary management of plan assets. The trustee is selected by the CANADIAN SALT PENSION COMMITTEE, which comprises company representatives and external advisors. It is also responsible for determining the investment strategy.

The pension-like commitments cover payments for life, dental and medical insurance. The level of payments for the dental and medical insurance depends on the average claims ratio of the pensioners, whereas life insurance essentially involves a fixed-sum commitment. No plan assets were established for the pension-like commitments and there are no minimum funding requirements.

OTHER COUNTRIES

The other pension commitments largely relate to pension-like plans in the United States and the Bahamas which provide for payments towards medical and life insurances. No plan assets were established for these commitments and there are no minimum funding requirements. In addition, there are pension commitments of minor significance in other countries.

The plans described above are subject to a number of risks. Mainly amongst them are:

+ Investment risks: The provisions for pensions and similar obligations are calculated using a discount factor based on AA-rated corporate bonds. If the yield for the plan assets is below this interest rate, there is a corresponding coverage shortfall. The investments are spread widely, mainly in bonds and shares, with the latter being particularly exposed to significant market value fluctuations.

+ Inflationary risks: In Germany, pension levels essentially need to be reviewed every three years in accordance with the German Act on Improving Company Retirement Pension Plans (Gesetz zur Verbesserung der betrieblichen Altersvorsorge (BetrAVG)), which generally results in pensions being adjusted for inflation. The pension commitments in Canada are also regularly adjusted for inflation during the course of collective bargaining. As a rule, an increase in the respective rates of inflation therefore leads to a corresponding increase in the respective obligations.
+ Interest rate risks: A decrease in yields for corporate bonds and, consequently, in the discount rate leads to an increase in obligations, which is only partially offset by a corresponding change in the value of plan assets.
+ Health care cost trend (North America, especially Canada and the Bahamas): As payments connected with medical benefit commitments are essentially adjusted for the cost trend in health care, an increase in medicine prices, hospital costs etc. in the respective country leads to an increase in obligations.
+ Longevity risks: Life expectancy is taken into account in calculating obligation levels by using mortality tables. An increase in life expectancy results in a corresponding increase of the obligations.
+ Salary risks: If the actual trend in salaries exceeds the anticipated trend, this results in an increase in obligation levels.

The K+S GROUP strives to reduce the risks by, for example, changing over from defined benefit plans to defined contribution plans. Thus, most of the workforce in Germany has received exclusively defined contribution commitments in the meantime. In North America as well, benefit commitments were either compensated or frozen and transferred to a defined contribution system.

The following assumptions have been made in calculating provisions for pensions and similar obligations on the balance sheet date:

ACTUARIAL ASSUMPTIONS – MEASUREMENT OF PENSION COMMITMENTS TAB: 2.6.40

	2015		2014	
	Germany	Outside Germany	Germany	Outside Germany
in % (weighted average)				
Pension commitments				
Actuarial interest rate	2.2	3.9	2.1	3.9
Anticipated annual increase in salaries and wages	1.8	3.5	1.8	3.5
Anticipated annual pension increase	1.6	1.1	1.6	1.1
Other benefit commitments similar to pensions				
Actuarial interest rate	—	4.3	—	4.0

To determine the pension expenses for 2015, the following actuarial assumptions – stipulated at the end of financial year 2014 – were used:

ACTUARIAL ASSUMPTIONS – PENSION COMMITMENT EXPENSES TAB: 2.6.41

	2015		2014	
	Germany	Outside Germany	Germany	Outside Germany
in % (weighted average)				
Pension commitments				
Actuarial interest rate	2.1	3.9	3.5	4.7
Anticipated annual increase in salaries and wages	1.8	3.5	1.8	3.5
Anticipated annual pension increase	1.6	1.1	1.6	1.1
Other benefit commitments similar to pensions				
Actuarial interest rate	—	4.0	—	4.8

As of 31 December 2015, the following mortality tables were applied:

+ Germany: Heubeck Richttafeln 2005 G (previous year: Heubeck Richttafeln 2005 G)
+ Canada: CPM 2014 Private Scale B with adjustment factor (previous year: CPM 2014 Private Scale B with adjustment factor)
+ US/Bahamas: RP 2014 Scale MP-2015 (previous year: RP 2014 Scale MP-2014)

In the case of commitments similar to pensions for health care benefits, the following annual cost increases – declining over time – were assumed:

+ Canada: 6.7 % / 4.0 % as of 2024 (previous year: 7.0 % / 4.0 % as of 2024)
+ Bahamas: 6.5 % / 4.5 % as of 2024 (previous year: 6.75 % / 4.5 % as of 2024)

The following tables show the development of the defined benefit obligation and the plan assets:

DEVELOPMENT DEFINED BENEFIT OBLIGATION TAB: 2.6.42

	2015				2014			
	Total	Germany	Outside Germany	Outside Germany	Total	Germany	Outside Germany	Outside Germany
		Pensions	Pensions	Similar obligations		Pensions	Pensions	Similar obligations
in € million								
Defined benefit obligation as of 1 January	584.4	264.7	226.7	93.0	499.4	219.8	188.6	91.0
Service costs	12.0	7.1	2.2	2.7	10.1	5.7	2.8	1.6
Past service costs	– 2.6	—	0.9	– 3.5	1.6	1.4	0.2	—
Interest expenses	17.7	5.4	8.5	3.8	19.1	7.4	8.6	3.1
Revaluations	9.8	– 3.1	8.5	4.4	66.2	45.1	27.5	– 6.4
– of which actuarial gains (–) / losses (+) from changes in demographic assumptions	– 0.9	—	0.4	– 1.3	– 4.9	—	2.0	– 6.9
– of which actuarial gains (–) / losses (+) from changes in financial assumptions	5.7	– 3.5	2.2	7.0	70.4	42.9	22.9	4.6
– of which actuarial gains (–) / losses (+) based on experience-based adjustments	5.0	0.4	5.9	– 1.3	0.7	2.2	2.6	– 4.1
Pension payments	– 26.0	– 14.7	– 9.0	– 2.3	– 26.0	– 14.7	– 9.1	– 2.2
Plan adjustments / payments	– 0.6	– 0.3	– 0.3	—	– 0.2	—	– 0.2	—
Exchange rate fluctuations	– 15.7	—	– 15.4	– 0.3	14.2	—	8.3	5.9
Defined benefit obligation as of 31 December	**579.0**	**259.1**	**222.1**	**97.8**	**584.4**	**264.7**	**226.7**	**93.0**

The gain from revaluing commitments similar to pensions in the amount of € 6.4 million in the previous year resulted primarily from the adjustment of expected health costs in Canada. The drop in the discount rate partially offset this effect.

DEVELOPMENT PLAN ASSETS TAB: 2.6.43

	2015			2014		
	Total	Germany	Outside Germany	Total	Germany	Outside Germany
		Pensions	Pensions		Pensions	Pensions
in € million						
Plan assets as of 1 January	425.7	221.8	203.9	408.8	230.3	178.5
Interest income	12.2	4.5	7.7	16.1	7.8	8.3
Employer contributions	3.5	2.0	1.5	7.6	1.4	6.2
Gains (+)/losses (–) from revaluation of plan assets (without amounts recognised in interest income)	13.7	5.6	8.1	8.9	– 3.0	11.9
Pension payments	– 23.5	– 14.7	– 8.8	– 23.5	– 14.7	– 8.8
Exchange rate fluctuations	– 14.2	—	– 14.2	7.8	—	7.8
Plan assets as of 31 December	**417.4**	**219.2**	**198.2**	**425.7**	**221.8**	**203.9**

For reconciliation to the balance sheet carrying amounts, the defined benefit obligation must be offset against the plan assets.

RECONCILIATION BALANCE SHEET VALUES PENSIONS AND SIMILAR OBLIGATIONS TAB: 2.6.44

	2015				2014			
	Total	Germany	Outside Germany	Outside Germany	Total	Germany	Outside Germany	Outside Germany
		Pensions	Pensions	Similar obligations		Pensions	Pensions	Similar obligations
in € million								
Defined benefit obligation as of 31 December	579.0	259.1	222.1	97.8	584.4	264.7	226.7	93.0
Plan assets as of 31 December	417.4	219.2	198.2	—	425.7	221.8	203.9	—
Balance sheet values as of 31 December	**161.6**	**39.9**	**23.9**	**97.8**	**158.7**	**42.9**	**22.8**	**93.0**
– of which pension provisions and similar obligations (+)	166.1	44.4	23.9	97.8	162.8	47.0	22.8	93.0
– of which assets (–)	– 4.5	– 4.5	—	—	– 4.1	– 4.1	—	—

The following amounts were recorded in the statement of comprehensive income:

EFFECTS STATEMENT OF COMPREHENSIVE INCOME TAB: 2.6.45

	2015				2014			
	Total	Germany	Outside Germany	Outside Germany	Total	Germany	Outside Germany	Outside Germany
in € million		Pensions	Pensions	Similar obligations		Pensions	Pensions	Similar obligations
Service costs	12.0	7.1	2.2	2.7	10.1	5.7	2.8	1.6
Past service costs	–2.6	—	0.9	–3.5	1.6	1.4	0.2	—
Net interest expenses (+)/income (–)	5.5	0.9	0.8	3.8	3.0	–0.4	0.3	3.1
Expenses (+)/income (–) plan adjustments/payments	–0.6	–0.3	–0.3	—	–0.2	—	–0.2	—
Amounts recognised in the income statement	**14.3**	**7.7**	**3.6**	**3.0**	**14.5**	**6.7**	**3.1**	**4.7**
Gains (–)/losses (+) from revaluation of plan assets (without amounts recognised in interest income)	–13.7	–5.6	–8.1	—	–8.9	3.0	–11.9	—
Actuarial gains (–)/losses (+) from changes in demographic assumptions	–0.9	—	0.4	–1.3	–4.9	—	2.0	–6.9
Actuarial gains (–)/losses (+) from changes in financial assumptions	5.7	–3.5	2.2	7.0	70.4	42.9	22.9	4.6
Actuarial gains (–)/losses (+) based on experience-based adjustments	5.0	0.4	5.9	–1.3	0.7	2.2	2.6	–4.1
Amounts recognised in other comprehensive income	**–3.9**	**–8.7**	**0.4**	**4.4**	**57.3**	**48.1**	**15.6**	**–6.4**
Total (amounts recognised in statement of comprehensive income)	**10.4**	**–1.0**	**4.0**	**7.4**	**71.8**	**54.8**	**18.7**	**–1.7**

The service costs (including past service costs) are reported in accordance with the allocation of employees in the respective EBIT functional area. The net interest expense or income is reported in net interest income.

The fair value of plan assets is distributed across the following investment classes:

DISTRIBUTION OF PLAN ASSETS BY INVESTMENT CLASS TAB: 2.6.46

	2015			2014		
	Total	Germany	Outside Germany	Total	Germany	Outside Germany
		Pensions	Pensions		Pensions	Pensions
in € million						
Bonds	190.3	117.4	72.9	196.0	124.0	72.0
– Government bonds	44.1	2.3	41.8	43.4	2.0	41.4
– Corporate bonds	146.2	115.1	31.1	152.6	122.0	30.6
Shares	192.6	69.9	122.7	200.5	78.0	122.5
– Consumer	50.5	20.3	30.2	48.8	20.8	28.0
– Finance	38.1	11.5	26.6	41.8	13.6	28.2
– Industry	21.8	9.5	12.3	26.1	14.0	12.1
– Energy	18.8	5.5	13.3	23.3	6.4	16.9
– Raw materials	16.6	12.1	4.5	22.3	15.6	6.7
– Other	46.8	11.0	35.8	38.2	7.6	30.6
Cash on hand and balances with banks	11.5	9.8	1.7	10.6	2.2	8.4
Reinsurance arrangements	12.9	12.9	—	10.9	10.9	—
Other	10.1	9.2	0.9	7.7	6.7	1.0
Plan assets as of 31 December	**417.4**	**219.2**	**198.2**	**425.7**	**221.8**	**203.9**

Investments held through investment funds were assigned to the individual investment classes in the list above. A majority of the bonds are rated as investment grade. The shares are regularly traded on an active market. While the same generally applies to the bonds, the item includes promissory notes with a carrying amount of € 22.6 million (previous year: € 28.3 million) that are not traded on an active market. There is no active market for reinsurance arrangements.

The following sensitivity analysis shows how the present value of the obligation would change in the event of a change in actuarial assumptions. No correlation between individual assumptions was taken into account, which means that in the event of one assumption being changed, the other assumptions remained unchanged. The projected unit credit method used to determine the carrying amounts was also used in the sensitivity analysis.

SENSITIVITY ANALYSIS FROM 31 DECEMBER 2015 TAB: 2.6.47

		Change in cash value of commitments			
		Total	Germany	Outside Germany	Outside Germany
	Change in assumption		Pensions	Pensions	Similar obligations
in € million					
Actuarial interest rate	+ 100 basis points	– 75.1	– 31.2	– 28.0	– 15.9
Actuarial interest rate	– 100 basis points	95.2	39.4	35.0	20.8
Anticipated annual increase in salaries and wages	+ 50 basis points	2.8	1.1	1.7	—
Anticipated annual increase in salaries and wages	– 50 basis points	– 2.8	– 1.1	– 1.7	—
Anticipated annual pension increase	+ 50 basis points	27.2	14.9	12.3	—
Anticipated annual pension increase	– 50 basis points	– 23.2	– 12.6	– 10.6	—
Medical cost trend	+ 50 basis points	9.4	—	—	9.4
Medical cost trend	– 50 basis points	– 7.3	—	—	– 7.3
Life expectancy	+ 1 year	20.9	8.6	7.4	4.9
Life expectancy	– 1 year	– 19.3	– 8.4	– 6.5	– 4.4

The following values in the previous year were as follows:

SENSITIVITY ANALYSIS FROM 31 DECEMBER 2014 TAB: 2.6.48

		Change in cash value of commitments			
		Total	Germany	Outside Germany	Outside Germany
in € million	Change in assumption		Pensions	Pensions	Similar obligations
Actuarial interest rate	+ 100 basis points	– 75.7	– 32.0	– 28.3	– 15.4
Actuarial interest rate	– 100 basis points	96.6	40.6	36.0	20.0
Anticipated annual increase in salaries and wages	+ 50 basis points	4.6	1.4	3.2	—
Anticipated annual increase in salaries and wages	– 50 basis points	– 4.1	– 1.4	– 2.7	—
Anticipated annual pension increase	+ 50 basis points	28.3	15.2	13.1	—
Anticipated annual pension increase	– 50 basis points	– 23.7	– 12.8	– 10.9	—
Medical cost trend	+ 50 basis points	9.1	—	—	9.1
Medical cost trend	– 50 basis points	– 7.1	—	—	– 7.1
Life expectancy	+ 1 year	20.6	8.9	7.6	4.1
Life expectancy	– 1 year	– 20.5	– 8.7	– 7.5	– 4.3

Undiscounted payments for pensions and similar obligations are expected to fall due as follows in subsequent years:

ANTICIPATED PAYMENTS FOR PENSIONS AND SIMILAR OBLIGATIONS TAB: 2.6.49

in € million	31.12.2015	31.12.2014
< 1 year	26.9	27.1
Between 1 and 5 years	111.0	110.3
Between 5 and 10 years	147.0	145.9
> 10 years	926.2	935.6
Total	**1,211.1**	**1,218.9**

The weighted average duration of obligations in Germany as of 31 December 2015 is 14 years (previous year: 14 years), for pension obligations outside Germany 14 years (previous year: 14 years), and for obligations similar to pensions outside Germany 19 years (previous year: 19 years). The duration and maturity profile of the obligations in part differ significantly between individual companies. In terms of asset allocation, this fact is essentially taken into account, especially in Germany. The aim is to service the pension payments from current plan asset income.

In the 2016 financial year, an outflow of funds of € 2.5 million (previous year € 4.1 million) from pension commitments and commitments similar to pensions is to be expected. This outflow encompasses allocations to plan assets and pension payments which are not covered by corresponding reimbursements from plan assets.

In addition, there are further retirement pension plans for which no provisions need to be recognised, as there are no further obligations apart from the payment of the contributions (defined contribution plans). These comprise both solely employer-financed benefits and premiums for converting employees' remuneration into pensions.

Employers and employees made contributions under the supplementary pension plan that has been closed in the meantime and is operated through the BASF pension fund. In 2011, the BASF pension fund terminated the regular memberships for K+S employees, so that as of 31 December 2015, only extraordinary memberships applied in the case of the employees concerned and those memberships are continued as vested pension rights. In addition, the BASF pension fund makes regular pension scheme payments to (former) K+S employees. K+S GROUP company employees with vested pension rights and pensioners account for less than 10 % of the total BASF pension fund.

As a result of the termination of the regular memberships, the payment of further contributions into the BASF pension fund is essentially no longer required. However, the secondary liability imposed by the German Act on Improving Company Retirement Pension Plans (BetrAVG) means that an obligation to assume liabilities could arise for K+S, especially with regard to the adjustment of current pension payments. No contribution payments to the BASF pension fund are expected for 2016.

The provision of such pensions through the BASF pension fund is to be classified as a multi-employer plan within the meaning of IAS 19.32 et seq. The plan is essentially a defined benefit plan. As reliable information regarding plan assets and obligations are only available for the pension fund as a whole and not for those shares in it attributable to the K+S GROUP, insufficient information is available for reporting the plan on the balance sheet. That is why the plan is treated as a defined contribution plan in accordance with IAS 19.34.

Overall, pension expenses are as follows for the period under review:

PENSION EXPENSES TAB: 2.6.50

	2015			2014		
	Total	Germany	Outside Germany	Total	Germany	Outside Germany
in € million						
Expenses defined contribution plans	20.6	3.1	17.5	16.8	2.8	14.0
Service costs defined benefit commitments (incl. past service costs)	9.4	7.1	2.3	11.7	7.1	4.6
Pension expenses	**30.0**	**10.2**	**19.8**	**28.5**	**9.9**	**18.6**

In addition, contributions of € 85.7 million (previous year: € 80.8 million) were paid to state pension insurance funds.

(22) PROVISIONS FOR MINING OBLIGATIONS

PROVISIONS FOR MINING OBLIGATIONS TAB: 2.6.51

	2015		2014	
	Total	of which current	Total	of which current
in € million				
Mine and shaft backfilling	354.7	15.9	346.6	16.3
Maintenance of tailing piles	439.0	—	424.5	—
Mine damages	46.7	—	75.8	—
Restoration	29.5	—	28.2	—
Others	16.1	—	13.7	—
Provisions for mining obligations	**886.0**	**15.9**	**888.8**	**16.3**

Provisions for mining obligations are recognised as a result of statutory and contractual requirements as well as conditions imposed by public agencies and are given concrete form in operating plans and water law permit decisions above all. These obligations, which are mainly of a public law type, require surface securing and recultivation measures. Mining damage can result from underground extraction and the related possible lowering of the land at surface level or as a result of damage in the production process in the form of dust or salinisation. The obligations that might arise are covered by provisions.

The amount of the provisions to be recognised is based on expected expenditures or estimated compensation. Provisions for mining obligations mainly have a long-term character and, on the basis of future anticipated expenditure, are carried at the discounted amount required to settle the obligation as of the balance sheet date. In this connection, a future price increase of 1.5 % is assumed (previous year: 1.5 %). The discount factor for mining obligations in EU countries amounts to 3.5 % (previous year: 3.5 %). As a discount factor for mining obligations in North America, we used an interest rate of 5.0 % in the USA (previous year: 5.0 %) and 4.2 % in Canada (previous year: 4.2 %). The anticipated timing for the settlement of such obligations largely depends on how much longer the locations will remain economically productive. A portion of the obligations extend well beyond 2050.

There was a change in the reporting of the restoration obligation (above ground) during the year under review. Account should be taken here of the fact that the demolition of plant buildings above ground following the closure of operations does not concern mining specific obligations. Consequently, € 54.6 million (31.12.2014: € 52.8 million, 1.1.2014: € 49.9 million) was reclassified from long-term mining provisions to other long-term provisions in the year under review.

The additions to mining provisions totalling € 30.1 million (previous year: € 234.3 million) for the year under review are largely due to the annual accumulation of provisions, the formation of additional provisions for mining risks and the revaluation of existing provisions.

Mining provisions of € 13.0 million (previous year: € 10.2 million) were used to discharge maintenance obligations. It also includes expenditure connected with mining damage risks.

Reversal of provisions totalling € 19.1 million (previous year: € 38.7 million) were largely the result of the mining damage risks.

(23) LONG-TERM OBLIGATIONS TO EMPLOYEES

LONG-TERM OBLIGATIONS TO EMPLOYEES TAB: 2.6.52

in € million	2015	2014
Provisions for anniversary bonuses	29.9	29.3
Provisions for long-term incentives	6.1	19.0
Provisions for partial retirement	0.2	3.5
Other personnel obligations	8.0	7.3
Total long-term obligations to employees	**44.2**	**59.1**

Accounting for provisions of the indicator-based 'Long-term Incentive Programme' is calculated based on the projected unit credit method. Actuarial gains and/or losses are recorded in profit or loss. We use an actuarial interest rate of 0.0 % (previous year: 0.2 %).

/ **MORE INFORMATION ON THE 'LONG TERM INCENTIVE' PROGRAMME:** page 122

The provisions for partial retirement take into account obligations from existing partial retirement contracts. The measurement of these provisions encompasses both fulfilment shortfalls (difference between the value of full-time employment and partial retirement remuneration plus related employer contributions to social insurance) as well as step-up contributions to partial retirement remuneration and contributions to statutory pension insurance. The calculations are done using present value and applying an actuarial interest rate of 0.0 % (previous year: 0.2 %) with an anticipated annual increase in salaries and wages of 1.8 % (previous year: 1.8 %). The existing partial retirement obligations, measured at € 0.8 million (previous year: € 10.9 million) on the balance sheet date, were offset against plan assets totalling € 0.5 million (previous year: € 7.4 million). The plan assets take the form of a contractual trust arrangement (CTA) and serve to secure the benefits due to employees under partial retirement agreements.

Provisions for anniversary bonuses are developed based on future payments in connection with 25, 40 and 50 year service anniversaries. They are valued by applying the projected unit credit method. Calculations are made based on an actuarial interest rate of 2.2 % (previous year: 2.1 %) with an anticipated annual increase in salaries and wages of 1.8 % (previous year: 1.8 %).

(24) CURRENT PROVISIONS

Obligations derived from sales transactions apply mostly to discounts and price concessions; purchase contracts supply provisions for outstanding invoices. Current personnel obligations mostly consist of provisions for performance-related remuneration, as well as provisions for outstanding vacation leave and non-working shifts.

(25) FINANCIAL LIABILITIES

The following table shows a liquidity analysis of financial liabilities in the form of contractually agreed upon, non-discounted cash flows:

2015 LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES TAB: 2.6.53

in € million	2015 Carrying amount	Cash flows 2015 Total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Financial liabilities	1,543.6	1,835.2	82.2	702.4	1,050.6
– of which bonds	1,514.0	1,805.5	53.3	701.6	1,050.6
– of which liabilities to banks	29.6	29.7	28.9	0.8	—
Accounts payable – trade	305.9	305.9	304.9	0.8	0.2
Liabilities from finance leases	5.2	5.2	0.8	2.5	1.9
Other non-derivative financial liabilities	36.6	36.6	36.3	—	0.3
Non-derivative financial liabilities	**1,891.3**	**2,182.9**	**424.2**	**705.7**	**1,053.0**

2014 LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES TAB: 2.6.54

in € million	2014 Carrying amount	Cash flows 2014 Total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Financial liabilities	1,551.3	1,897.4	93.3	698.4	1,105.7
– of which bonds	1,510.4	1,855.5	53.1	696.7	1,105.7
– of which liabilities towards banks	40.9	41.9	40.2	1.7	—
Accounts payable – trade	284.6	284.6	283.7	0.9	—
Liabilities from finance leases	3.0	3.0	0.6	1.7	0.7
Other non-derivative financial liabilities	38.8	38.8	36.1	—	2.7
Non-derivative financial liabilities	**1,877.7**	**2,223.8**	**413.7**	**701.0**	**1,109.1**

The financial liabilities as of the reporting date largely pertain to K+S AKTIENGESELLSCHAFT. They are the result of bonds issued in June of 2012, with a volume of € 500.0 million and a maturity of ten years, with a fixed interest rate of 3.0 %, as well as bonds issued in December 2013, with a volume of € 500.0 million and a maturity of five years, with a fixed interest rate of 3.125 %, and bonds issued in December 2013, with a volume of € 500.0 million and a maturity of eight years, with a fixed interest rate of 4.125 %.

/ MORE INFORMATION ON BONDS: section 'K+S on the Capital Market', page 16

In addition, there is a US Dollar bond taken over in 2009 as part of the acquisition of MORTON SALT with a nominal value of USD 22.6 million which matures in 2020. Interest and repayment amounts resulting from this bond are to be paid by ROHM & HAAS and are contractually covered by a bank guarantee. Reimbursement claims for interest and repayment amounts resulting from this contractual construction are listed under the item 'Other financial assets' in short and long term areas.

Liquidity is managed by the central treasury unit using a Group-wide cash pool system. The liquidity requirement is determined at a fundamental level by liquidity planning, and is covered by cash on hand and balances with banks as well as committed credit facilities. The authorised syndicated credit line amounts to € 1 billion. The second option to extend to June 2020 has been exercised.

/ MORE INFORMATION ON LIQUIDITY RISKS: section 'Risk and Opportunity Report', page 102

The following table shows the Group's liquidity analysis for derivative financial liabilities. The table is based on non-discounted gross cash flows for derivative financial instruments which are offset gross. Derivative assets were not included in the analysis.

2015 LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL LIABILITIES TAB: 2.6.55

		Cash flows			
in € million	2015 Carrying amount	2015 Total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Gross fulfilment					
Foreign currency derivatives	−93.7	−22.8	−41.0	18.1	—
Payment obligation[1]		−1,999.0	−1,255.9	−743.2	—
Payment claim[1]		1,976.2	1,214.9	761.3	—

[1] Translation of payment transactions in foreign currency at spot rate.

2014 LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL LIABILITIES TAB: 2.6.56

		Cash flows			
in € million	2014 Carrying amount	2014 Total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 Jahre
Gross fulfilment					
Foreign currency derivatives	−39.9	−26.2	−25.8	−0.4	—
Payment obligation[1]		−1,116.9	−869.8	−247.1	—
Payment claim[1]		1,090.7	844.0	246.7	—

[1] Translation of payment transactions in foreign currency at spot rate.

(26) FURTHER INFORMATION ON FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of the Group's financial instruments:

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS TAB: 2.6.57

		2015		2014	
in € million	Measurement category under IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Investments in affiliated companies and equity interests	Available for sale	13.6	13.6	13.1	13.1
Loans	Loans and receivables	0.5	0.5	0.6	0.6
Financial assets		**14.1**	**14.1**	**13.7**	**13.7**
Accounts receivable – trade	**Loans and receivables**	**708.6**	**708.6**	**732.9**	**732.9**
Derivatives with positive market value	Held for trade	30.4	30.4	56.2	56.2
Other non-derivative financial assets	Loans and receivables	182.9	182.9	140.4	140.4
Other financial assets		**213.3**	**213.3**	**196.6**	**196.6**
Securities and other financial investments	**Loans and receivables**	**40.0**	**40.0**	**461.6**	**461.7**
Securities and other financial investments	**Available for sale**	**—**	**—**	**106.5**	**106.5**
Cash on hand and balances with banks	**Loans and receivables**	**123.1**	**123.1**	**375.2**	**375.2**
Financial liabilities	**Financial liabilities at amortised cost**	**1,543.7**	**1,681.9**	**1,551.3**	**1,696.1**
Accounts payable – trade	**Financial liabilities at amortised cost**	**306.0**	**306.0**	**284.6**	**284.6**
Derivatives with negative market value	Held for trade	93.8	93.8	39.9	39.9
Other non-derivative financial liabilities	Financial liabilities at amortised cost	36.7	36.7	38.7	38.7
Liabilities from finance leases	IFRS 7	5.2	5.2	3.0	3.0
Other financial liabilities		**135.7**	**135.7**	**81.6**	**81.6**

The carrying amounts of the financial instruments, aggregated according to the measurement categories of IAS 39, are as follows:

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AGGREGATED ACCORDING TO MEASUREMENT CATEGORIES TAB: 2.6.58

in € million	2015	2014
Financial assets available for sale	13.6	119.6
Loans and receivables	1,055.1	1,710.7
Financial assets held for trade	30.4	56.2
Financial liabilities at amortised cost	1,886.4	1,874.7
Financial liabilities held for trade	93.8	39.9

The fair values accompanying the financial instruments are mostly based on the market information available on the balance sheet date. They can be assigned to one of the three levels of the fair value hierarchy in accordance with IFRS 13.

Level 1 financial instruments are calculated on the basis of prices quoted on active markets for identical assets and liabilities. Level 2 financial instruments are calculated on the basis of input factors which can be derived from observable market data, or on the basis of market prices for similar instruments. Level 3 financial instruments are calculated on the basis of input factors that cannot be derived from observable market data.

The following spreadsheet shows the fair value assets and debts to accompany the financial instruments:

ACCOMPANYING ASSETS AND LIABILITIES MEASURED AT FAIR VALUE TAB: 2.6.59

	2015				2014			
in € million	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets	30.4	—	30.4	—	162.7	106.5	56.2	—
Derivative financial instruments that are not part of a hedge under IAS 39	30.4	—	30.4	—	56.2	—	56.2	—
Financial assets available for disposal	—	—	—	—	106.5	106.5	—	—
Equity and liabilities	93.8	—	93.8	—	39.9	—	39.9	—
Derivative financial instruments that are not part of a hedge under IAS 39	93.8	—	93.8	—	39.9	—	39.9	—

The derivative financial instruments are largely made up of currency derivatives. In the case of forward exchange transactions, the accompanying fair value is calculated on the basis of forward exchange rates; we use option pricing models to calculate currency options. In addition, the risk of counterparty default is taken into account when performing the calculations.

Fair values for financial assets available for disposal are based on prices quoted on active markets.

It is not possible to determine fair values reliably for equity instruments measured at acquisition cost due to the absence of active markets. This includes shares in (non-consolidated) subsidiaries, joint ventures, associated companies and equity interests. It is assumed that the carrying amounts correspond to fair values on the balance sheet date.

In the case of trade accounts receivable, Other non-derivative financial assets as well as Liquid assets, the carrying amounts correspond to their fair values, as their maturities are largely short term.

The fair values of securities and other financial investments belonging to the 'Loans and receivables' category correspond to the present values of the payments associated with these balance sheet items (Level 2).

In the case of financial liabilities, fair value is based on market prices if active markets exist (Level 1); if not, we use the present value of future payment streams (Level 2). We use market interest rates with suitable maturity to calculate discounts.

In the case of trade accounts payable and Other non-derivative financial liabilities, it is assumed that the carrying amounts correspond to the fair values for these instruments as their maturities are mostly short term.

For loans and liabilities from finance leases, we assume that the carrying amounts correspond to the fair values due to insignificant deviations in market and computational interest rates.

The following table shows the net results from financial instruments:

NET RESULTS FROM FINANCIAL INSTRUMENTS TAB: 2.6.60

in € million	2015	2014
Financial assets available for sale	5.7	4.8
Loans and receivables	41.6	49.1
Financial assets and liabilities held for trading	– 128.6	– 2.0
Financial liabilities at amortised cost	– 30.9	– 26.4

The net result from financial assets available for sale is primarily made up of gains or losses on equity investments.

The net result from loans and receivables includes, for the most part, the effects of currency translation and changes in allowances.

The net result from financial assets and liabilities held for trading is predominantly made up of effects arising from the fair value measurement and realisation of derivative financial instruments.

The net result from financial liabilities measured at amortised cost stems mainly from the effects of foreign currency translation.

Total interest income and expenses for financial assets and liabilities that are measured at fair value without recognition in profit or loss were as follows:

NET INTEREST INCOME FROM FINANCIAL INSTRUMENTS TAB: 2.6.61

in € million	2015	2014
Interest income	8.4	23.7
Interest expenses before capitalisation of borrowing costs	56.7	84.8
Capitalised borrowing costs	30.0	1.3
Interest expenses after capitalisation of borrowing costs	26.7	83.5

Interest risks are created by a change in market interest rates, which may have an impact on interest payable or receivable, and also by the fair value of the financial instrument. This can cause corresponding changes to earnings or equity. In accordance with IFRS 7, risks of change in interest rates must be described using a sensitivity analysis. This analysis is based on the following assumptions:

The effect on earnings or equity identified by the sensitivity analysis is based on the total on the balance sheet date and demonstrates the hypothetical effect over one year.

Changes in market interest rates for primary financial instruments with variable interest rates have an impact on net interest income and are taken into account in an earnings-orientated sensitivity analysis.

Changes in market interest rates for primary financial instruments with fixed interest rates, stated at an amortised cost, do not have an impact on earnings or equity and are therefore not taken into account during the sensitivity analysis. While these instruments are subject to interest risk when reinvested, this is not taken into account in a sensitivity analysis carried out on the balance sheet date.

Furthermore, there were no interest rate derivatives required to be included in a sensitivity analysis on the balance sheet date.

Consequently, an increase of the interest rate level by one percentage point on the balance sheet date would lead to an improvement in net interest income of € 1.2 million (previous year: € 5.1 million). A decrease in the interest rate level by 1 percentage point on the balance sheet date would not lead to a deterioration of net interest income (previous year: € 2.6 million). This is due to the fact that the original fixed-interest financial instruments constitute next-day maturities as at 31 December 2015, of which the interest rate is virtually zero.

In addition to receivables and liabilities in the Group currency (€), we also have items in foreign currencies. Had the euro appreciated or depreciated against foreign currencies (primarily the US dollar) by 10 %, the change in the fair value recognised in profit or loss of the net balance of foreign currency receivables and liabilities would have equalled ± € 25.5 million (previous year: ± € 24.4 million).

In addition, on the balance sheet day, there existed investments for which the contracting parties – usually banks – provided collateral. These are known as repo transactions and are secured investments. The collateral, which cannot be used in other ways, is agreed upon with the contracting party using a 'basket', defined mainly by investment class, ratings, countries and currencies. The aforementioned criteria determine the loan value at which the collateral will be taken into account; in other words, when the rating decreases or the transferability of the respective collateral is reduced, the loan value is also reduced and additional collateral must be provided. The given framework of the potential collateral depends on our internal monitoring, which, fundamentally, takes into account the rating and the value of the particular credit default swaps.

(27) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

In the K+S GROUP, general business practice is associated with various risks for which we have formed provisions, provided that the conditions for recognition according to IAS 37 have been fulfilled. Apart from that, there are no substantial risks which would lead to the disclosure of contingent liabilities. In 2015, liabilities from incomplete capital expenditure projects totalled € 598.3 million (previous year: € 840.1 million). For additional financial liabilities due to leasing, please see the information under Note (28).

(28) LEASING

Certain technical equipment and machinery, such as networks connected to our Legacy Project in Canada, are used by way of finance leasing and are capitalised as such, as economic ownership of the leased asset is attributed to the K+S GROUP. Specifically, this applies to the following items:

LEASED FINANCIAL ASSETS TAB: 2.6.62

in € million	2015	2014
Land, land rights and buildings	0.6	0.8
Technical equipment and machinery	40.0	33.7
Ships	1.1	1.3
Other equipment, operating and office equipment	—	0.1
Total	**41.7**	**35.9**

The relevant payment obligations from finance lease contracts are due as follows:

LEASING LIABILITIES TAB: 2.6.63

	Minimum leasing payments		Interest component received		Leasing liabilities	
	2015	2014	2015	2014	2015	2014
in € million						
Due in up to 1 year	1.8	1.1	0.9	0.5	1.0	0.6
Due in 2–5 years	5.2	3.4	2.9	1.7	2.3	1.7
Due in more than 5 years	2.9	1.3	1.0	0.6	1.9	0.7
Total	9.9	5.8	4.8	2.8	5.2	3.0

During the current business year, and in the previous business year, there were no additional leasing payments (above and beyond the minimum leasing costs) recognised in profit or loss based on contractual conditions for finance leasing. There were no existing subleasing contracts as of the balance sheet date.

In order to handle transport needs for the new K+S location in Canada, a Canadian railway company, CANADIAN PACIFIC RAILWAY, will add a siding track to their railroad network. The contractual obligations arising from this agreement qualify as finance leasing, and will lead to an estimated balance sheet amount of CAD 96 million by the second half of 2016.

The K+S GROUP has only minor obligations as a lessor.

The K+S GROUP is also a lessee in terms of operating leases. Given the relevant contractual arrangements, these assets are not to be carried under fixed assets. Operating leases exist, for example, for factory and office equipment (for example, printers, photocopiers, IT peripherals), as well as for vehicles and storage capacity. Expenditure arising from operating leasing in 2015 amounted to € 59.9 million (previous year: € 47.7 million). The nominal value of future minimum leasing payments from operating leases is distributed as follows over future periods:

OBLIGATIONS FROM OPERATING LEASES (NOMINAL VALUES) TAB: 2.6.64

	2015	2014
in € million		
– due in following year	41.0	31.2
– due in the years 2 to 5	132.6	93.5
– due after 5 years	67.3	86.9
Total	240.9	211.6

In the case of both finance leases and operating leases, there are some rental extensions and / or purchase options available, as well as a small number of price adjustment clauses.

NOTES TO THE SEGMENT REPORTING

Segment reporting is presented on page 136.

(29) DEFINITION OF SEGMENTS

Segments are defined according to products. This corresponds to the internal organisational and reporting structure of the K+S GROUP.

The Potash and Magnesium segment combines the production and marketing of potash fertilizers and fertilizer specialties as well as potash and magnesium compounds for technical, industrial and pharmaceutical applications.

The Salt segment encompasses the production and marketing of food grade salt, industrial salt and salt for chemical use, de-icing salt and sodium chloride brine.

The Complementary Activities segment bundles together not only recycling activities and waste disposal and / or reutilisation in potash and rock salt mines and CATSAN® and THOMAS® granulation, but also other activities important for the K+S GROUP. The K+S GROUP possesses its own logistics service provider in K+S TRANSPORT GMBH and its subsidiary. CHEMISCHE FABRIK KALK GMBH trades in different basic chemicals.

The accounting and valuation procedures applied to determine segment information are in basic terms identical to the accounting and valuation principles of the K+S GROUP.

(30) PRINCIPLES OF SEGMENT ASSET AND DEBT ALLOCATION

Assets, provisions and liabilities are allocated to a segment according to their use or origin. If they are used by or originate in more than one segment, they are distributed based on appropriate allocation.

Financial assets (with the exception of equity interests) and long-term financial liabilities are not allocated to a segment.

(31) PRINCIPLES OF SEGMENT EARNINGS ALLOCATION

The data for determining segment earnings is based on income statements according to the total cost method (internal reporting structure of the K+S GROUP). Income statements for companies included within the segment earnings are allocated to segments in accordance with profit centre accounting.

Operating earnings (EBIT I) are treated by the K+S GROUP as the most important internal earnings figure and as an indicator of earnings capacity. In addition to not including net interest income and tax expense, other income and expenses affecting the financial result are not taken into account in segment earnings allocation. In addition, certain results from operating forecast hedges are eliminated in these calculations, as tax effects are taken into account (see also 'Notes to the income statement and statement of comprehensive income' on page 154).

In addition to EBIT I, Earnings before interest, taxes, depreciation and amortisation (EBITDA) constitutes a significant management variable. As in the case of EBIT I, net interest income, tax expense and other income and expenses affecting the financial result are not taken into account. In addition, certain results from operating forecast hedging transactions are eliminated in these calculations, as tax effects are taken into account. Moreover, EBITDA is adjusted by the depreciation and amortisation amount not recognised in profit and loss in the context of own work capitalised. In the reporting year, the adjusted depreciation and amortisation amount not recognised in profit and loss was € 43.4 million (previous year: € 26.9 million).

Business unit earnings are presented on a consolidated basis. Intra-segment deliveries and services are also consolidated.

(32) PRINCIPLES FOR TRANSFER PRICES BETWEEN SEGMENTS

Transfer prices for deliveries and services between segments are treated as if they were to be paid by an external third party in exactly the same situation and under the same circumstances. Methods for determining transfer prices are documented on a timely basis and maintained at all times. The price comparison method, the resale price method, the cost plus method or a combination of all three may be applied when determining transfer prices for deliveries and services. We select the method which best reflects the way external prices are determined in comparable markets.

(33) ADDITIONAL SEGMENT INFORMATION

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

For obligations not claimed in 2014, we released provisions to a total of € 20.5 million (previous year: € 53.0 million). An insurance payment of € 34.3 million due to an interruption in operations at our Unterbreizbach location was included in the previous year.

SALT BUSINESS UNIT

For obligations not claimed during the reporting period, we released provisions of € 14.5 million (previous year: € 6.8 million). An insurance payment of € 12.9 million for a loss-entailing event at the MORTON Bahamas site was included in the reporting year.

COMPLEMENTARY ACTIVITIES

In the previous year, unplanned depreciation in property value was carried out to a total of € 1.6 million and is disclosed in other operating expenses.

(34) NOTES TO THE RECONCILIATION ITEMS

Reconciliation of segment figures to corresponding items in the consolidated financial statements of the K+S GROUP includes items allocated to central functions as well as consolidation-related effects. The main items are:

RECONCILIATION SEGMENT FIGURES TAB: 2.6.65

in € million	2015	2014
Reconciliation of segment results (EBIT I)[1]		
Result for central functions	–57.2	–44.6
	–57.2	**–44.6**
Reconciliation of segment assets		
Fixed assets	81.9	82.2
Deferred tax assets	98.9	74.4
Market values of derivatives	–10.5	38.9
Refund claims for income taxes	76.9	74.4
Other receivables	81.8	75.7
Cash and cash items	64.2	730.6
Consolidation-related effects	–433.2	–457.4
	–40.0	**618.7**
Reconciliation of segment liabilities		
Provisions for pensions and similar obligations	24.0	25.9
Other provisions	61.3	61.8
Deferred tax liabilities	294.5	275.8
Market values of derivatives	51.2	19.7
Financial liabilities	1,543.7	1,551.2
Other liabilities	47.2	44.1
Income tax liabilities	81.0	58.1
Consolidation-related effects	–134.9	–164.3
	1,968.0	**1,872.4**

[1] The K+S Group is managed, inter alia, on the basis of operating earnings (EBIT I). Reconciliation of EBIT II to operating earnings (EBIT I) is recorded below the income statement (see also the 'Notes to the income statement and the statement of comprehensive income' on page 154).

(35) REVENUES BY REGION

The breakdown of revenues by geographical location for the K+S GROUP is as follows:

REVENUES BY REGION TAB: 2.6.66

in € million	2015	2014
Europe	1,661.7	1,601.2
– of which Germany	593.3	568.2
North America	1,505.4	1,358.0
– of which USA	1,236.7	1,071.2
South America	535.0	471.9
Asia	368.6	295.1
Africa, Oceania	104.8	95.5
Total revenues	**4,175.5**	**3,821.7**

Allocation is based on the registered office of customers. No individual customer accounted for more than 10 % of the total revenue in the 2014 and 2015 financial years.

(36) LONG-TERM ASSETS BY REGION

The long-term assets of the K+S GROUP comprise intangible assets, tangible assets and investment properties. They break down into geographical regions as follows:

NON-CURRENT ASSETS BY REGION TAB: 2.6.67

in € million	2015	2014
Europe	1,570.6	1,507.4
– of which Germany	1,500.5	1,444.8
North America	4,008.0	3,130.6
– of which USA	1,109.5	1,007.0
– of which Canada	2,879.9	2,104.8
South America	550.9	496.7
– of which Chile	544.4	490.9
Total assets	**6,129.5**	**5,134.7**

The allocation is performed according to the location of the relevant assets.

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement is presented on page 133. Non-cash transactions from discontinued operations were not taken into account.

/ FURTHER EXPLANATIONS ON THE CASH FLOW STATEMENT: page 92.

(37) FURTHER INFORMATION ABOUT THE CASH FLOW STATEMENT

NET CASH AND CASH EQUIVALENTS TAB: 2.6.68

in € million	2015	2014
Cash and cash equivalents (according to balance sheet)	123.1	375.2
Cash invested with affiliated companies	0.5	0.9
Cash received from affiliated companies	– 5.2	– 5.8
Net cash and cash equivalents	**118.4**	**370.3**

Cash and cash equivalents include cheques, cash on hand and balances with banks, as well as financial investments with a term that generally does not exceed three months from the time of acquisition. These financial investments consist predominantly of short-term deposits at credit institutions and other cash equivalent investments.

Cash investments with affiliated companies are reported under 'Other financial assets' (current) and cash received from affiliated companies is reported under 'Other financial liabilities' (current).

Payments and profit transfers from non-consolidated companies totalled € 4.0 million during the reporting period (previous year: € 5.0 million).

At the balance sheet date, accounts payable-trade and short-term provisions totalled € 177.8 million (previous year: € 246.5 million), resulting from non-cash additions to property, plant and equipment. These are mainly due to the Legacy Project.

Currency hedges were negotiated in order to secure CAD capital expenditure payments for the Legacy Project against currency fluctuations. The hedging transactions that were due in 2015 resulted in a cash inflow of € 21.6 million (previous year: cash outflow of € 12.6 million), which will be reported under payments for fixed assets from the 2015 annual financial statements. This change in reporting will enable consistent presentation of the capital expenditure payments for the Legacy Project and the corresponding currency hedges under Cash flow from investment activities. The previous year's figures have been adjusted according to the change in presentation as follows:

CHANGE IN REPORTING CASH FLOW STATEMENT TAB: 2.6.69

	2015			2014		
in € million	new	old	Delta	new	old	Delta
Gains (+) / losses (–) from the realisation of financial assets / liabilities	37.6	35.1	2.5	15.4	19.7	– 4.3
Gross cash flow	**835.3**	**832.8**	**2.5**	**680.1**	**684.4**	**– 4.3**
Increase (–) / decrease (+) in receivables and other assets from operating activities	– 40.6	– 16.5	– 24.1	18.5	18.5	—
Increase (+) / decrease (–) in liabilities from operating activities	– 44.0	– 44.0	—	8.1	– 8.8	16.9
Cash flow from operating activities	**669.4**	**691.0**	**– 21.6**	**719.1**	**706.5**	**12.6**
Disbursements for fixed assets	– 1,303.9	– 1,325.5	21.6	– 1,022.6	– 1,010.0	– 12.6
Cash flow from investment activities	**– 775.8**	**– 797.4**	**21.6**	**– 584.9**	**– 572.3**	**– 12.6**

OTHER INFORMATION

AUDITOR'S FEES TAB: 2.6.70

in € million	2015	2014
Audit service	0.7	0.7
Other services	0.2	0.2
Auditor's fees	**0.9**	**0.9**

The auditing services include auditing the consolidated financial statements and annual financial statements of all consolidated German companies.

GOVERNMENT ASSISTANCE TAB: 2.6.71

in € million	2015	2014
Investment grants / premiums	4.6	3.7
Performance-related assistance	0.4	0.2
GOVERNMENT ASSISTANCE	**5.0**	**3.9**

The investment grants / premiums included here relate to sums received for developing areas in the Federal Republic of Germany and Canada.

Performance-related assistance concerns support that is provided by the Federal Labour Office (Bundesagentur für Arbeit) in accordance with the German Law on Partial Retirement (Altersteilzeitgesetz).

AFFILIATED COMPANIES AND RELATED PARTIES

In addition to the subsidiaries included in our consolidated financial statements, the K+S GROUP is affiliated with other related companies; these include non-consolidated subsidiaries, joint ventures and companies on which the K+S GROUP is able to exercise decisive influence (associated companies). A complete overview of all related companies can be taken from the list of all shareholdings on page 187.

The following table shows K+S GROUP transactions with non-consolidated companies which took place during the reporting period. The business transactions were subject to normal market conditions.

TRANSACTIONS WITH NON-CONSOLIDATED SUBSIDIARIES TAB: 2.6.72

in € million	2015	2014
Trade revenues	31.4	29.5
Deliveries and services received	24.7	24.7
Income from dividend payments and profit transfers	4.8	4.8
Other income	0.7	0.5
Other expenses	1.9	1.8

Trade revenues are mostly the result of goods sold by consolidated companies to foreign companies. Deliveries and services received largely consist of deliveries of explosives to a German subsidiary as well as commissions which were invoiced by foreign distribution companies.

On 31 December 2015, the following outstanding balances with non-consolidated subsidiaries were disclosed:

BALANCES WITH NON-CONSOLIDATED SUBSIDIARIES TAB: 2.6.73

in € million	2015	2014
Receivables from affiliated companies	6.0	7.0
– from bank transactions	0.5	0.9
Liabilities to affiliated companies	10.8	11.2
– from bank transactions	5.2	5.8

On the balance sheet date, as in the previous year, there were no allowances on receivables from affiliated companies. There are no contingency insurance plans for receivables from subsidiaries. The receivables and liabilities from bank transactions are the result of centralised withdrawal and investment of cash at K+S AKTIENGESELLSCHAFT (cash pooling). On the balance sheet date, there were no loans to non-consolidated subsidiaries.

Transactions carried out by the K+S GROUP together with joint ventures and associated companies are immaterial from a Group perspective.

Related parties are defined as persons who are responsible for the planning, management and monitoring of a company. They include the Board of Executive Directors and the Supervisory Board. The remuneration of related parties is presented in the following section as well as in the Remuneration Report section in the combined Management Report. There were no other material transactions with related parties.

TOTAL REMUNERATION OF THE SUPERVISORY BOARD AND THE BOARD OF EXECUTIVE DIRECTORS TAB: 2.6.74

in € million	2015	2014
Total remuneration of the Supervisory Board	**2.0**	**2.0**
– of which fixed	2.0	2.0
Total remuneration of the Board of Executive Directors	**6.7**	**8.4**
– of which fixed	2.5	2.7
– of which performance-related	3.5	3.8
– of which LTI programmes	0.6	1.9
Total remuneration of former members of the Board of Executive Directors and their surviving dependants	**1.5**	**1.5**
Pension provisions for former members of the Board of Executive Directors and their surviving dependants	**24.2**	**19.8**

The total remuneration of the Board of Executive Directors in the reporting year was paid to five Board members; all of these were in office for the whole year. In the previous year, the Board of Executive Directors consisted of six members, five of whom were in office for the whole year.

The service cost of pensions of the Board of Executive Directors totalled € 2.7 million in the year under review (previous year: € 1.4 million).

The remuneration system for the Board of Executive Directors consists of the following elements:

+ regular monthly payments (fixed salary) to which in-kind benefits are added
+ performance-related non-recurrent remuneration, with bonuses based on the return on total investment and on an individual performance-related component, and paid in the following financial year
+ The long-term incentive (LTI) programme

The individualised remuneration received by the members of the Board of Executive Directors in the 2015 financial year are presented in the Remuneration Report section in the Management Report on page 121.

SHAREHOLDINGS IN K+S AKTIENGESELLSCHAFT

We were not informed of any shareholding above the legal reporting threshold of 3 % by the end of February.

DECLARATION OF CONFORMITY CONCERNING THE GERMAN CORPORATE GOVERNANCE CODE

The declaration of conformity pursuant to Sec. 161 of the German Stock Corporation Act concerning the recommendations made by the 'Government Commission on the German Corporate Governance Code' has been made by the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT for 2015/2016 and is available to shareholders on the K+S GROUP website (www.k-plus-s.com) as well as published on page 60 of the combined Management Report.

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB)

The values in the following tables also apply, for the most part, to the previous year. If any deviations occur, these are included in a footnote on the respective company.

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) TAB: 2.6.75

in %	Company's registered office		Interests in capital	Share of voting rights
Fully consolidated German subsidiaries (15 companies)				
K+S Aktiengesellschaft	Kassel	Germany	–	–
Chemische Fabrik Kalk GmbH	Cologne	Germany	100.00	100.00
Deutscher Straßen-Dienst GmbH	Hanover	Germany	100.00	100.00
esco – european salt company GmbH & Co. KG [1,2]	Hanover	Germany	100.00	100.00
esco international GmbH [2]	Hanover	Germany	100.00	100.00
K+S Bahamas Salt Asset Management GmbH & Co. KG [1]	Kassel	Germany	100.00	100.00
Continued on page 188				

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED) TAB: 2.6.75

in %	Company's registered office		Interests in capital	Share of voting rights
K+S Baustoffrecycling GmbH[3]	Sehnde	Germany	100.00	100.00
K+S Beteiligungs GmbH[2,3]	Kassel	Germany	100.00	100.00
K+S Entsorgung GmbH[2,3]	Kassel	Germany	100.00	100.00
K+S Kali GmbH[2,3]	Kassel	Germany	100.00	100.00
K+S North America Asset Management GmbH[2]	Kassel	Germany	100.00	100.00
K+S North America Salt Asset Management GmbH & Co. KG[1]	Kassel	Germany	100.00	100.00
K+S Salz GmbH[2,3]	Hanover	Germany	100.00	100.00
K+S Transport GmbH[2,3]	Hamburg	Germany	100.00	100.00
Kali-Union Verwaltungsgesellschaft mbH[2,3]	Kassel	Germany	100.00	100.00
Fully consolidated foreign subsidiaries (42 companies)				
Canadian Brine Ltd.	Pointe-Claire	Canada	100.00	100.00
Compania Minera Punta de Lobos Ltda.	Santiago de Chile	Chile	99.64	100.00
Empresa de Servicios Ltda.	Santiago de Chile	Chile	99.64	100.00
Empresa Maritima S.A.[4]	Santiago de Chile	Chile	99.59	99.59
esco benelux N.V.	Diegem	Belgium	100.00	100.00
esco france S.A.S.	Levallois-Perret	France	100.00	100.00
esco Holding France S.A.S.	Dombasle-sur-Meurthe	France	100.00	100.00
esco Spain S.L.	Barcelona	Spain	100.00	100.00
Frisia Zout B.V.	Harlingen	Netherlands	100.00	100.00
Glendale Salt Development, LLC	Chicago	USA	100.00	100.00
Inagua General Store Ltd.	Nassau	Bahamas	100.00	100.00
Inagua Transports, Inc.	Chicago	USA	100.00	100.00
Inversiones Columbus Ltda.[5]	Santiago de Chile	Chile	2.00	100.00
Inversiones Empremar Ltda.[6]	Santiago de Chile	Chile	48.87	100.00
Inversiones K+S Sal de Chile Ltda.	Santiago de Chile	Chile	100.00	100.00
K+S Canada Holdings Ltd.	Vancouver	Canada	100.00	100.00
K+S Chile S.A.	Santiago de Chile	Chile	99.64	99.64

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED) TAB: 2.6.75

in %	Company's registered office		Interests in capital	Share of voting rights
K+S Czech Republic a.s.	Prague	Czech Republic	100.00	100.00
K+S Finance Belgium BVBA	Diegem	Belgium	100.00	100.00
K+S Finance Ltd.	St. Julians	Malta	100.00	100.00
K+S Holding France S.A.S.	Reims	France	100.00	100.00
K+S Investments Ltd.	St. Julians	Malta	100.00	100.00
K+S KALI Du Roure S.A.S.	Le Teil	France	100.00	100.00
K+S KALI France S.A.S.	Reims	France	100.00	100.00
K+S KALI Rodez S.A.S.	Sainte-Radegonde	France	97.45	97.45
K+S KALI Wittenheim S.A.S.	Wittenheim	France	100.00	100.00
K+S Montana Holdings, LLC	Chicago	USA	100.00	100.00
K+S Netherlands Holding B.V.	Harlingen	Netherlands	100.00	100.00
K+S North America Corporation	Chicago	USA	100.00	100.00
K+S Perú S.A.C.	Lima	Peru	100.00	100.00
K+S Potash Canada General Partnership	Vancouver	Canada	100.00	100.00
K+S Salt LLC	Chicago	USA	100.00	100.00
K+S Windsor Salt Ltd.	Vancouver	Canada	100.00	100.00
Montana US Parent Inc.	Chicago	USA	100.00	100.00
Morton Bahamas Ltd.	Nassau	Bahamas	100.00	100.00
Morton Salt, Inc.	Chicago	USA	100.00	100.00
Salina Diamante Branco Ltda.	Rio de Janeiro	Brazil	100.00	100.00
Salines Cérébos S.A.S.	Levallois-Perret	France	100.00	100.00
Servicios Maritimos Patillos S.A.[7]	Santiago de Chile	Chile	99.64	100.00
Servicios Portuarios Patillos S.A.	Santiago de Chile	Chile	99.53	99.89
VATEL Companhia de Produtos Alimentares S.A.	Alverca	Portugal	100.00	100.00
Weeks Island Landowner, LLC	Chicago	USA	100.00	100.00
Non-consolidated German subsidiaries (12 companies)[9]				
1. K+S Verwaltungs GmbH	Kassel	Germany	100.00	100.00
1. K+S Verwaltungs GmbH & Co. Erwerbs KG	Kassel	Germany	100.00	100.00
3. K+S Verwaltungs GmbH & Co. Erwerbs KG	Kassel	Germany	100.00	100.00
4. K+S Verwaltungs GmbH	Kassel	Germany	100.00	100.00

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED) TAB: 2.6.75

in %	Company's registered office		Interests in capital	Share of voting rights
Beienrode Bergwerks-GmbH	Kassel	Germany	89.80	89.80
esco Verwaltungs GmbH	Hanover	Germany	100.00	100.00
Ickenroth GmbH	Staudt	Germany	100.00	100.00
K+S An-Instituts Verwaltungsgesellschaft mbH	Kassel	Germany	100.00	100.00
K+S Consulting GmbH	Kassel	Germany	100.00	100.00
K+S Versicherungsvermittlungs GmbH	Kassel	Germany	100.00	100.00
MSW-Chemie GmbH[8]	Langelsheim	Germany	100.00	100.00
Wohnbau Salzdetfurth GmbH	Bad Salzdetfurth	Germany	100.00	100.00
Non-consolidated foreign subsidiaries (18 companies)[9]				
esco Nordic AB	Gothenburg	Sweden	100.00	100.00
Imperial Thermal Products Inc.	Chicago	USA	100.00	100.00
ISX Oil & Gas Inc.	Calgary	Canada	100.00	100.00
K plus S Africa (Pty) Ltd.	Johannesburg	South Africa	100.00	100.00
K+S Asia Pacific Pte. Ltd.	Singapore	Singapore	100.00	100.00
K+S Brasileira Fertilizantes e Produtos Industriais Ltda.	São Paulo	Brazil	100.00	100.00
K+S Denmark Holding ApS	Hellerup	Denmark	100.00	100.00
K+S Entsorgung (Schweiz) AG	Delémont	Switzerland	100.00	100.00
K+S Fertilizers (India) Private Limited	New Delhi	India	100.00	100.00
K+S Italia S.r.L.	Verona	Italy	100.00	100.00
K+S Legacy GP Inc.	Vancouver	Canada	100.00	100.00
K+S Mining Argentina S.A.	Buenos Aires	Argentina	100.00	100.00
K+S Polska Sp. z o.o.	Poznan	Poland	100.00	100.00
K+S UK & Eire Ltd.	Hertford	United Kingdom	100.00	100.00
Kali (U.K.) Ltd.	Hertford	United Kingdom	100.00	100.00
Kali AG	Frauen-kappelen	Switzerland	100.00	100.00
OOO K+S Rus	Moscow	Russian Federation	100.00	100.00
Shenzhen K+S Trading Co. Ltd.	Shenzhen	China	100.00	100.00
Associated companies and joint ventures (3 companies)[10]				
Börde Container Feeder GmbH	Haldensleben	Germany	33.30	33.30

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED) TAB: 2.6.75

in %	Company's registered office		Interests in capital	Share of voting rights
Morton China National Salt (Shanghai) Salt Co. Ltd.	Shanghai	China	45.00	45.00
Werra Kombi Terminal Betriebsgesellschaft mbH	Philippsthal	Germany	50.00	50.00
Other interests (6 companies)[11]				
Fachschule f. Wirtschaft und Technik Gem. GmbH	Clausthal	Germany	9.40	9.40
Lehrter Wohnungsbau GmbH	Lehrte	Germany	6.70	6.70
Nieders. Gesellschaft zur Endablagerung von Sonderabfall mbH	Hanover	Germany	0.10	0.10
Poldergemeinschaft Hohe Schaar	Hamburg	Germany	8.66	8.66
Pristav Pardubice a.s.	Pardubice	Poland	0.41	0.41
Zoll Pool Hamburg AG	Hamburg	Germany	1.43	1.43

[1] Utilisation of the exemption provision of Sec. 264b of the German Commercial Code (HGB).
[2] Utilisation of the exemption provision of Sec. 291 of the German Commercial Code (HGB).
[3] Utilisation of the exemption provision of Sec. 264 Para. 3 of the German Commercial Code (HGB).
[4] In the previous year, shares in capital equalled 48.67.
[5] In the previous year, shares in capital equalled 2.00.
[6] In the previous year, shares in capital equalled 48.87.
[7] In the previous year, shares in capital equalled 49.82.
[8] In the previous year, shares in capital and voting rights equalled 68.50.
[9] No consolidation due to minor importance.
[10] Equity method not used due to minor importance.
[11] Statement of amount of equity and earnings of the last financial year omitted due to minor importance.

MEMBERS OF THE SUPERVISORY BOARD

A list of members of the Supervisory Board and its committees can be found in the Management Report on page 53; this list is also part of the 'Consolidated Notes'.

MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

A list of members of the Board of Executive Directors and its responsibilities can be found in the Management Report on page 57; this list is also part of the 'Consolidated Notes'.

Kassel, 26 February 2016

K+S AKTIENGESELLSCHAFT
BOARD OF EXECUTIVE DIRECTORS

AUDITOR'S REPORT

We have audited the consolidated financial statements of K+S AKTIENGESELLSCHAFT, Kassel, consisting of the income statement and comprehensive statement of income, cash flow statement, balance sheet, statement of changes in equity and notes, as well as the Management Report combined with the Group Management Report for the financial year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the Group Management Report in accordance with INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) as applied within the EU and the supplementary commercial law provisions as applied in accordance with Sec. 315a, Para. 1 of the German Commercial Code (HGB) is the responsibility of the company's Board of Executive Directors. Our task is to evaluate the consolidated financial statements and the Group Management Report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 of the German Commercial Code (HGB) and the standards accepted in Germany for the audit of financial statements set out by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer). These standards require that we plan and perform the audit in such a way that inaccurate statements and violations that may have a significant effect on both the presentation of the consolidated financial statements as viewed under the applicable accounting regulations, and on the presentation of assets and the financial and earnings position as presented in the Group Management Report, can be recognised with sufficient certainty. When determining audit procedures, we took into account our knowledge of the company's business activities, as well as their economic and legal environment. We also considered possible mistakes. During the audit, we primarily make use of random checks to test the effectiveness of internal accounting control as related to the accounting system, and also to find evidence supporting information disclosed in both the consolidated financial statements and the Group Management report. The audit assesses the annual financial statements of the companies included in the consolidated financial statements, determines the scope of consolidation, tests the accounting and consolidation principles as well as significant estimates made by the Board of Executive Directors, and also evaluates the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not discovered any cause for concern.

In our opinion, which is based on our audit findings, the consolidated financial statements of K+S AKTIENGESELLSCHAFT, Kassel, comply with the IFRS as applied in the EU as well as the supplementary commercial law provisions as applied in accordance with Sec. 315a, Para. 1 of the German Commercial Code (HGB) and give a true and fair view of the assets, financial and earnings position of the Group in accordance with such provisions. The Group Management Report is consistent with the consolidated financial statements, provides a suitable understanding of the position of the Group and suitably presents the risks of future development.

Hanover, 26 February 2016

DELOITTE & TOUCHE GMBH	(Kompenhans)	(Dr Meyer)
Auditing company	Auditor	Auditor

FURTHER INFORMATION

DEFINITIONS OF KEY FINANCIAL INDICATORS

BOOK VALUE PER SHARE

$$= \frac{\text{Equity}}{\text{Total number of shares as of 31 Dec}}$$

ENTERPRISE VALUE

= Market capitalisation + net debt

EQUITY/ASSETS RATIO I

$$= \frac{\text{Equity}}{\text{Operating assets}}$$

EQUITY/ASSETS RATIO II

$$= \frac{\text{Equity + non-current debt}}{\text{Operating assets}}$$

DEBT I

$$= \frac{\text{Bank loans and overdrafts}}{\text{Equity}}$$

DEBT II

$$= \frac{\text{Net debt}}{\text{Equity}}$$

LIQUIDITY RATIO I

$$= \frac{\text{Cash on hand and balances with banks + current securities and other financial investments}}{\text{Current debt}}$$

LIQUIDITY RATIO II

$$= \frac{\text{Cash on hand and balances with banks + current securities and other financial investments + current receivables}}{\text{Current debt}}$$

LIQUIDITY RATIO III

$$= \frac{\text{Current assets}}{\text{Current debt}}$$

NET FINANCIAL LIABILITIES

= Financial liabilities – cash on hand and balances with banks – securities and other financial investments

NET DEBT

= Financial liabilities + provisions for pensions and similar obligations + non-current provisions for mining obligations – cash on hand and balances with banks – securities and other financial investments

OPERATING ASSETS

= Intangible assets[5] + property, plant and equipment + shares in affiliated companies + participating interests

RETURN ON CAPITAL EMPLOYED (ROCE)

$$= \frac{\text{Operating earnings (EBIT I)}}{\text{Operating assets}^{2} + \text{working capital}^{2,4}}$$

RETURN ON EQUITY

$$= \frac{\text{Adjusted Group earnings after taxes}^{1}}{\text{Adjusted equity}^{1,2}}$$

RETURN ON REVENUES

$$= \frac{\text{Adjusted Group earnings}^{1}}{\text{Revenues}}$$

RETURN ON TOTAL INVESTMENT

$$= \frac{\text{Adjusted earnings before taxes}^{1,3} + \text{interest expenses}}{\text{Adjusted balance sheet total}^{1,2,4}}$$

VALUE ADDED

= (ROCE – weighted average cost of capital before taxes) x (operating assets[2] + working capital[2])

WORKING CAPITAL

= Inventories + receivables and other assets[6] – current provisions – accounts payable trade – other payables[6]

[1] Adjusted for the effects of market value changes of operating forecast hedges still outstanding; for adjusted Group earnings, the resulting tax effects were also eliminated.
[2] Annual average.
[3] Including earnings before taxes of discontinued operations.
[4] Adjusted for reimbursement claims and corresponding obligations.
[5] Adjusted by deferred tax influencing goodwill from initial consolidation.
[6] Without the market values of operating forecast hedges still outstanding as well as derivatives no longer in operation, but including premiums paid for derivatives used for operating purposes; without receivables and liabilities from financial investments; adjusted for reimbursement claims as well as the surplus of the CTA plan assets.

GRI INDEX AND UN GLOBAL COMPACT PRINCIPLES

This report was prepared in accordance with Core G4 GRI requirements and considers the G4 Sector Disclosures: Mining and Metals document.

For issues we assessed as material, we report the respective GRI indicators. For some indicators we do not provide detailed disclosures, as we are currently examining their relevance, we considered them as non-material, data are not easily available, or we do not publicly report on them for reasons of business policy. Following the "comply or explain" approach, we have marked those indicators that are not fully covered by (*).

Since October 2015 K+S AKTIENGESELLSCHAFT is a member of the UN GLOBAL COMPACT. We thereby support the ten principles in the areas of human rights, labor, environment and anti-corruption. The overview shows where to find information regarding the ten principles in this Annual Report.

GRI INDEX AND UN GLOBAL COMPACT PRINCIPLES

	GRI Indicators	Page	UN Global Compact
General Standard Disclosures:			
	Strategy and analysis		
G4-1	Statement from the most senior decision-makers	5–9	
G4-2	Description of important key impacts, risks, and opportunities	102–114	
	Organisational profile		
G4-3	Name of the organisation	202	
G4-4	Primary brands, products, and services	32	
G4-5	Location of the organisation's headquarters	202	
G4-6	Countries where the organisation operates	22–23	
G4-7	Nature of ownership and legal form	21	
G4-8	Important markets	28–29	
G4-9	Scale of the organisation	22, 24, 37	
G4-10	Total workforce	37–38	6

GRI INDEX AND UN GLOBAL COMPACT PRINCIPLES (CONTINUED)

	GRI Indicators	Page	UN Global Compact
G4-11	Employees covered by collective bargaining agreements	38	3
G4-12	Description of the organisation's supply chain	35	
G4-13	Significant changes during the reporting periode	21–50	
G4-14	Implementation of the precautionary approach	102–114	
G4-15	Support of external initiatives	39, 76	
G4-16	Memberships in associations and interest groups	76	
	Identified material aspects and boundaries		
G4-17	Liste of consolidated companies	144–145	
G4-18	Process for defining the report content	77–78	
G4-19	List of material aspects	78	
G4-20	Material aspects of the company	77–78	
G4-21	Material aspects outside of the company	77–78	
G4-22	Restatements of information povided in previous reports	43	
G4-23	Significant changes in the reporting scope and boundaries	144–145	
	Stakeholder engagement		
G4-24	Stakeholder groups engaged	75–76	
G4-25	Identification and selection of stakeholders	75–76	
G4-26	Approaches to stakeholder engagement and frequency	75–76	
G4-27	Key concerns of stakeholders and statements	75–76	
	Report profile		
G4-28	Reporting period	202	
G4-29	Date of publication of the most recent report	202	
G4-30	Reporting cycle	202	
G4-31	Contact point for questions regarding the report	202	
G4-32	'In accordance' option GRI Index	192–194	
G4-33	External assurance for the report	64–65, 190	
	Governance		
G4-34	Governance structure including highest governance body	51–58	

GRI INDEX AND UN GLOBAL COMPACT PRINCIPLES (CONTINUED)

	GRI Indicators	Page	UN Global Compact
	Ethics and integrity		
G4-56	Value, principles, standards and norms	59–60	10
Specific Standard Disclosures:			
	Category: Economic		
G4-DMA	Management approach	71–80	
	Economic performance		
G4-EC1	Direct economic value generated and distributed	24, 79	
	Category: Environmental		
G4-DMA	Management approach	43	7, 8, 9
	Energy		
G4-EN3	Energy consumption within the organisation	43, 49–50	7, 8
	Water		
G4-EN8	Total water withdrawal by source	43, 45	7, 8
	Emissions		
G4-EN15	Direct greenhouse gas emission (Scope 1)	50, 199	7, 8
	Effluents and waste		
G4-EN22	Total water discharge by quality and destination	43, 46	8
MM3	Total amounts of overburned, rock, tailings, and sludges and their associated risks	48	8
	Category: Society		
	Labour practices and decent work		
G4-DMA	Management approach	36	1, 3, 6
	Employment		
G4-LA1	New employee hires and employee turnover*	37	6
	Labor/management relations		
G4-LA4	Minimum notice periods regarding significant operational changes*	79	3

GRI INDEX AND UN GLOBAL COMPACT PRINCIPLES (CONTINUED)

	GRI Indicators	Page	UN Global Compact
MM4	Strikes and lock-outs*	36, 38	3
	Occupational health and safety		
G4-LA6	Accidants, occupational diseases, lost days, fatalities*	36, 41	
	Training and education		
G4-LA9	Average hours of training*	36, 46	
	Diversity and equal opportunity		
G4-LA12	Composition of governance bodies and employees according to diversity*	53	6
	Equal remuneration of women and men		
G4-LA13	Ratio of basic salary of women to men*	38	6
	Human rights		
G4-DMA	Management approach	78	1, 2
	Non-discrimination		
G4-HR3	Number of discrimination and corrective actions taken*	61	6
	Freedom of association and right to collective bargaining		
G4-HR4	Operations and suppliers in which the right to freedom of asscociation may be violated or at significant risk, and measures taken*	78	3
	Child labor		
G4-HR5	Operations and suppliers with significant risks for incidents of child labor, and measures taken*	59	5
	Forced or compulsory labor		
G4-HR6	Operations and suppliers with significant risks for incidents of forced or compulsory labor, and measures taken*	78	4
	Indigenous rights		
MM5	Total number of operations taking place in or adjacent to indigenous peoples and formal agreements with indigenous peoples' communities*	38	
	Human rights grievance mechanisms		
G4-HR12	Formal grievance about human rights impacts field*	61	
	Society		
G4-DMA	Management approach	78	10

Continued on page 194

GRI INDEX AND UN GLOBAL COMPACT PRINCIPLES (CONTINUED)

	GRI Indicators	Page	UN Global Compact
	Local communities		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs*	76	
	Anti-corruption		
G4-SO4	Communication and training on anti-corruption*	61	10
	Public policy		
G4-SO6	Total value of political contribution	79	10
	Anti-competitive behavior		
G4-SO7	Legal actions for anti-competitive behavior or anti-trust*	61	10
	Compliance		
G4-SO8	Fines and sanctions for non-compliance	61	10
	Supplier assessment for impacts on society		
G4-SO10	Negative impacts on society in the supply chain and actions taken*	78	
	Grievance mechanisms for impacts on society		
G4-SO11	Number of grievances about impacts on society	61	
	Product responsibility		
G4-DMA	Management approach	28	
	Product and service labeling		
G4-PR3	Product and service information required by the organisation’s procedure for product and service information and labeling and percentage to such information requirements*	28	

GLOSSARY

BASIC ENGINEERING Basic engineering focuses on technical requirements and is based on the conceptual design (feasibility study including planning for licences and permits) and financial cost of the investment project.

BRINE Aqueous rock salt solution. Natural brine is obtained through drilling underground deposits of brine or through the controlled drill-hole solution mining procedure and also produced through the dissolution of mined rock salt.

BULK BLENDERS Operators of bulk fertilizer equipment, in which various nutrients are combined.

CARBON DIOXIDE Carbon dioxide (CO_2) is a chemical compound comprising carbon and oxygen. It is produced during the combustion of fuels containing carbon or fossil fuels.

CARNALLITE Carnallite is a colourless mineral composed of the main components potassium chloride and magnesium chloride. It is used in magnesium extraction and as plant nutrient in fertilizers.

CASH FLOW Net balance of incoming and outgoing payments during a reporting period.

CAVERN In mining, a cavern is a large, artificially created underground cavity.

CHLORINE-ALKALINE ELECTROLYSIS In chlorine-alkaline electrolysis, chlorine, caustic soda solution and hydrogen are produced as a result of the decomposition of the basic substance sodium chloride with the aid of electricity. Alternatively, potassium hydroxide solution is produced by the application of potassium chloride. The important basic chemicals of chlorine, caustic soda solution, hydrogen and potassium hydroxide solution form the basis of numerous chemical products.

COGENERATION Cogeneration is a method enabling the generation of useful heat at the same time as producing electricity. Compared with separate production facilities, cogeneration plants use the respective fuel, for example, natural gas, more efficiently. The heat generated during the cogeneration process is available in the form of hot water or high-pressure steam.

COMPLEX FERTILIZERS contain more than one nutrient, as a rule nitrogen, phosphorus and potassium as well as – depending on need and application – magnesium, sulphur or trace elements. As a result of the combination of raw materials in the production process and subsequent granulation, every single grain of the fertilizer contains precisely the same combination of nutrients; this allows for even spreading of the nutrients on the field.

COMPLIANCE Compliance (conforming with regulations) denotes adherence to mandatory laws, internal regulations and regulatory standards recognised by the Company. A compliance management system is intended to ensure compliance and avoid penalties and fines resulting from breaches of compliance and claims for damages as well as other direct or indirect negative influences (caused particularly as a result of damage to image), by identifying and evaluating compliance risks promptly and taking steps to reduce the likelihood that they will occur and their damage potential. Moreover, structured internal compliance reporting should be ensured.

COMPOUND ANNUAL GROWTH RATE (CAGR) Compound annual growth rate (CAGR) is the mean annual growth rate over a specified period of time longer than one year.

COST OF CAPITAL also WACC (weighted average cost of capital); denotes the opportunity costs arising for equity providers and/or lenders through capital made available to the Company. The weighted average cost of capital rate is derived from the aggregate of the interest claim to which a contributor of equity would be entitled in respect of his equity share as well as the interest on debt in respect of the share of interest-bearing debt in total capital. As this is considered from an after-tax perspective, the average interest on debt is reduced by the corporate tax rate.

CRYSTALLISED SALT In contrast to liquid brine, crystallised salt is salt that exists in solid form, such as food-grade salt and de-icing salt.

DETAIL ENGINEERING Detail engineering builds on basic engineering and includes the procurement, production planning, construction, commissioning and project controlling phases.

DIN ISO 26000:2010 SOCIAL RESPONSIBILITY GUIDELINE DIN ISO 26000:2010 provides guidance on how businesses and organisations can operate in a socially responsible way. The guideline specifies seven key principles and seven core subjects.

DISCONTINUED OPERATIONS The divestment of the NITROGEN business to EUROCHEM occurred on 2 July 2012. Consequently, since the second quarter of 2012, the NITROGEN business is reported as a discontinued operation in accordance with IFRS.

EBIT I (EARNINGS BEFORE INTEREST AND TAXES) The internal control of the K+S GROUP is carried out partly on the basis of its operating earnings EBIT I. Due to the elimination of all market value fluctuations during the term, the earnings from operating forecast hedging transactions included in EBIT I correspond to the value of the hedging transaction at the time of realisation (difference between the spot rate and hedging rate), less the premium paid or plus the premium received in the case of options.

EBIT II In accordance with IFRS, fluctuations in market value from hedging transactions are reported in the income statement. EBIT II includes all earnings from hedging transactions, i.e., both valuation effects as at the reporting date and earnings from realised operating hedging derivatives. Earnings effects arising from the hedging of underlying transactions with a financing character, whose effects impact on EBIT neither in the current financial year nor in future financial years, are stated in the financial result.

EBITDA EBITDA (Earnings before interest, taxes, depreciation and amortisation) is intended to enable comparisons of operational earnings power between companies and describes the profitability of companies.

ELECTROSTATIC PREPARATION PROCESS (ESTA®) 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.

ENTERPRISE VALUE Enterprise value is an indicator frequently used to determine the value of a company. It is often related to other indicators (for example, revenues, EBIT).

EVAPORATED SALT is produced by evaporating saturated brine, whereby sodium chloride crystallises.

FIRST NATIONS First Nations is the term used to describe the indigenous peoples of Canada, who can determine their ethnic origin through a recognition procedure. They have defined political rights and obligations.

FLOTATION 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.

FREE FLOAT The number of shares not held by major shareholders owning more than 5 % of the shares of a company (with the exception of shares held by investment companies and asset managers).

GRANULATE PRODUCTION Granulate production describes the production of spreadable fertilizer granules that can be distributed using an agricultural fertilizer spreader.

GREENFIELD PROJECT In mining, a greenfield project denotes the creation of basically new capacities, including infrastructure investment. The K+S Legacy Project in Saskatchewan, Canada, is the first potash greenfield project for around forty years. There are also brownfield projects in potash mining where the capacity of an existing mine is expanded.

GREENHOUSE GAS (GHG) PROTOCOL The Greenhouse Gas Protocol is a tool for calculating and managing the greenhouse gas emissions of companies and organisations. It includes direct emissions from core corporate areas (Scope 1), indirect emissions from the use of purchased electricity, heat and steam (Scope 2) and indirect emissions, which are upstream or downstream of corporate activities (Scope 3). To compare the global warming potential of different greenhouse gases, each greenhouse gas is converted in CO_2 equivalents. A CO_2 equivalent has the same global warming potential as one unit of CO_2.

GRI — GLOBAL REPORTING INITIATIVE 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.

HOT EXTRACTION PROCESS The hot extraction process is a production process used in the production of potash which is based on the temperature-dependent extraction behaviour of minerals. The different components are separated because the solubility of rock salt is consistently good regardless of the water temperature and the solubility of potassium chloride increases with the temperature.

INDIGENOUS POPULATION Indigenous people is the term given to groups who are the descendants of a population which lived in a geographical area prior to conquest, colonisation or formation of a state by another nation, and who are recognised as independent people.

INTEGRATED REPORTING Integrated reporting is a standard concept that combines traditional financial reporting with non-financial reporting elements. The focus should be the company's business model and its strategy. The aim is reporting in which account is taken of all the stakeholders' interests. The aim is to reflect the interdependencies between environmental, social, governance and financial factors of decisions, which influence a company's long-term financial performance and position, by clarifying the connection between sustainability and economic values.

KIESERITE $Mg[SO_4] \cdot H_2O$, Kieserite is a mineral component of crude salt, which is composed of the water-soluble minerals, magnesium and sulphur. From a chemical perspective, it is aqueous magnesium sulphate. Kieserite is used as a basic raw material in the production of plant nutrients.

KKF
The KKF (kainite-crystallisation-flotation-plant) is a new process to significantly reduce the saline water and at the same time to increase the yield of valuable substances. By using heat energy, water is evaporated. Thereby crystallises a salt mixture, which also includes kainite – a salt containing potassium and magnesium salt. The kainite is separated by using a sorting technique (flotation) and is subsequently used for potassium sulfate production.

LIQUIDITY RATIOS
Liquidity ratios measure static liquidity at a given point in time and provide information about the extent to which current payment obligations are covered by cash and cash equivalents, current receivables and current assets.

MÉTIS
Métis have been recognised as indigenous peoples in Canada since 1982. They are the descendants of immigrant fur traders and the groups of people living in Canada at the time of colonisation. Identification as a member of the Métis people is self-determined.

OECD GUIDELINES FOR MULTINATIONAL COMPANIES
The OECD guidelines for multinational companies are government recommendations for the multinational companies which operate in or from the member states. They containing non-legally binding principles and benchmarks in the areas of basic obligations, information policy, human rights, employment policy, environmental protection, anti-corruption, consumer interests, science and technology, competition and taxation.

OPEN-CAST MINING
Open-cast mining is a form of mining for raw mineral deposits that takes place close to the surface. In contrast to other forms of mining, no underground tunnels or shafts are created.

OPERATING FORECAST HEDGES
To hedge future currency positions (mainly in US dollars), we use operating derivatives in the form of options and futures (see also transaction risks).

PLANNING APPROVAL PROCEDURE
The planning approval procedure is an approval process for specific construction/infrastructure projects to reach planning approval decisions. As an administrative act this decision is a planning permission with a concentration effect. Therefore a permission includes many others. The process of the procedure is formalised in the Administrative Procedure Act. The procedure always includes an involvement of concerned parties in consultations to consider their interests.

PLATE DOLOMITE (LEINE CARBONATE)
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
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.

PRODUCTION OF GRANULATES
denotes the production of dispersible fertilizer grains which can be spread with an agricultural fertilizer spreader.

RATING
Rating agencies award ratings of a company's ability to meet its future interest and repayment obligations in a timely manner in the form of standardised categories.

RETURN ON CAPITAL EMPLOYED (ROCE)
Return on Capital Employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed.

SODIUM CHLORIDE
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.

STAKEHOLDER Stakeholders are interest groups in the working environment or in an organisation, who are directly or indirectly affected by corporate activities, currently or in the future, and are thus in an interdependent relationship. They include employees, customers, investors, suppliers, local residents and policymakers.

SUBSISTENCE FARMING Subsistence farming is agricultural production, primarily for own supply and therefore outside the monetary cycle of a national economy.

TRANSACTION RISK A transaction risk is a currency risk that may arise in connection with existing receivables or liabilities in a foreign currency if a transaction in a foreign currency is to be converted to the Group currency and thus represents a risk in terms of payment.

TRANSLATION RISK A translation risk is a currency risk, which may arise as a result of translating profit, cash flow or balance sheet items to other periods or reporting dates, which are accrued in a currency other than the Group currency. This is therefore a non-cash risk.

UNITED NATIONS GLOBAL COMPACT The United Nations Global Compact is a voluntary strategic initiative for companies designed to promote sustainable development and social commitment. The participating companies acknowledge the ten principles of the Global Compact in the areas of human rights, working standards, environmental protection and anti-corruption.

VACUUM SALT Vacuum salt is produced by evaporating saturated brine which results in the crystallisation of sodium chloride.

VALUE ADDED This key figure is based on the assumption that a company creates added value for the investor when the return on the average capital employed exceeds the underlying cost of capital. This excess return is multiplied by the average capital employed (annual average for operating assets and working capital) to give the company's added value for the year under review.

WATER-SOFTENING SALTS remove hardeners such as calcium and magnesium from the water through an ion exchange process. Soft water is necessary or advantageous for numerous industrial processes, but also in private households.

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FINANCIAL CALENDAR

DATES

	2016/2017
Quarterly Financial Report, 31 March 2016	10 May 2016
Annual General Meeting, Kassel	11 May 2016
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Quarterly Financial Report, 30 September 2016	10 November 2016
Report on business in 2016	16 March 2017

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K+S has published an annual financial report along with an annual sustainability report since 2004, which are now combined in an Annual Report. This combined presentation of the various dimensions of economic sustainability, which takes appropriate account of ecological and social interests, represents an expression of who we are. We follow the recommendations of the International Integrated Reporting Council (IIRC) and use the work process to exchange information with internal and external stakeholders.

In the event of any doubt, the German version of annual report will prevail.

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