Explanatory Report of the Board of Executive Directors on the information in accordance with Sec. 289 Para. 4 and Sec. 315 Para. 4 German Commercial Code (HGB)

As the information to be disclosed in respect of items 1 to 6 of Sec. 289 Para. 4 and Sec. 315 Para. 4 of the German Commercial Code (HGB) in the Combined Management Report of K+S Aktiengesellschaft and the K+S Group (2014 Financial Report page 39) speaks for itself, we limit ourselves here to providing the following explanations in accordance with Sec. 176 Para. 1 Sent. 1 German Stock Corporations Act (AktG):

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

The Board of Executive Directors is authorised to acquire own shares representing no more than 10% of the no-par value shares comprising the share capital of K+S Aktiengesellschaft until 10 May 2015. At no time may the Company hold more than 10% of the total number of no-par value shares comprising its share capital. Purchases may be made on a stock exchange or by means of a public purchase offer directed to all shareholders. In the event of a purchase effected on a stock exchange, the purchase price paid must not exceed or fall below the relevant stock exchange price by more than 10%; the relevant stock exchange price being the price of the K+S share in the XETRA computerised trading system determined by the opening auction on the day of purchase of the shares. In the event of a purchase effected by means of a public purchase offer directed to all shareholders, the purchase price offered per share must not exceed or fall below the relevant stock exchange price by more than 10%; the relevant stock exchange price being the price of the K+S share in the XETRA computerised trading system determined by the opening auction on the day of purchase of the shares.

The Board of Executive Directors is further authorised, with the approval of the Supervisory Board, to dispose of shares in the Company, which were acquired on the basis of an authorisation in accordance with Section 71 (1) (8) of the German Stock Corporation Act (AktG) on a stock exchange or by means of a public offer directed to all shareholders. In the following cases, shares may be disposed of by other means and consequently 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. Such authorisation does not exist at present.

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% 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. The maximum limit of 10% is reduced by the proportionate amount of the share capital attributable to shares issued during this authorisation period in connection with a capital increase from authorised capital or from conditional capital where the right to subscribe is excluded.

Finally, the Board of Executive Directors is authorised, with the consent of the Supervisory Board, to withdraw shares in the Company from circulation that were acquired based on authorisation in accordance with 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 from circulation. 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 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.

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 gain long-term investors in Germany and abroad, for example, or to finance acquisitions flexibly. 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 47. The stock option scheme for the Board of Executive Directors and for senior management, provided for the last time in 2009, made provision for the start of a special time frame in which to exercise all still outstanding options in the event of a change of control. This scheme was phased out in 2014 when the last options granted in 2009 expired worthless. The scheme 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 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.