Report of the Board of Executive Directors on item 6 of the Agenda pursuant to Sections 203 (2) (2) and 186 (4) (2) of the German Stock Corporation Act (AktG)

The Board of Executive Directors makes a request under item 6 of the Agenda to be able to exclude the shareholders' right to subscribe in respect of shares issued using authorised capital II in four cases (up to a maximum of 10 % of the share capital):

1. Exclusion of the right to subscribe in respect of fractional amounts is necessary in order to provide a workable subscription ratio. The shares excluded from the shareholders' right to subscribe as free fractional amounts will be used to the best possible advantage for the Company either by selling them on the stock exchange or in another manner.

2. The exclusion of the right to subscribe during capital increases against cash contributions requested within the scope permitted by law (up to a maximum of 10 % of the share capital) in accordance with Section 186 (3) (4) of the German Stock Corporation Act (AktG) enables the management to take advantage of favourable stock market situations in the short term and achieve a higher inflow of funds through the rapid placement of new shares with acquiring investors. When exercising the requested authorisation to exclude the right to subscribe, the Board of Executive Directors will determine the issue price so that the discount from the stock exchange price is as low as possible. Shares will be charged against the maximum limit of 10 % of the share capital, which were issued otherwise during the authorisation period and where the right to subscribe was excluded, pursuant to or in accordance with Section 186 (3) (4) of the German Stock Corporation Act (AktG) (for example, by utilising the authorised capital, the conditional capital or by disposing of own shares). Such charging takes place in the interests of shareholders in the smallest possible dilution of their investment.

3. A request is also made to exclude the right to subscribe in the case of a capital increase in return for non-cash contributions (up to a maximum of 10 % of the share capital), if the new shares are to be used as consideration in the acquisition of an undertaking or an interest in an undertaking. The requested authorisation enables the Board of Executive Directors to have own shares in the Company available at short notice for the acquisition of undertakings or interests in undertakings without taking recourse to stock exchanges. Considering the increasing competition, the Company depends on the ability to make quick and flexible use of any opportunities for strategic acquisitions. It may not be possible to provide the large considerations for the acquisition of interests in undertakings without compromising the company's liquidity. Providing authorised capital II with the option to exclude the right to subscribe thus strengthens our Company's negotiating position and provides it with the necessary flexibility to be able to take advantage of any opportunities to acquire undertakings or interests in undertakings. The management will only make use of the authorised capital II for the aforementioned purpose, if there is an appropriate ratio between the value of the Company's new shares and the value of the consideration. Shares will be charged against the maximum limit of 10 % of the share capital, which are issued during the authorisation period in connection with any other capital increase using authorised capital or

conditional capital where the shareholders' right to subscribe is excluded, as well as own shares, which are sold by the Company during this authorisation period and where the right to subscribe is excluded. Such charging takes place in the interests of shareholders in the smallest possible dilution of their investment.

4. With the consent of the Supervisory Board, the Board of Executive Directors shall ultimately be authorised to exclude the shareholders' statutory right to subscribe in order to implement a scrip dividend under optimum conditions. In the event of a scrip dividend, the shareholders will be asked to transfer their claim to a dividend payment, which arises in connection with the resolution regarding the appropriation of profits at the Annual General Meeting, to the Company in total or in part as a non-cash contribution in order to subscribe to new Company shares.

   A scrip dividend can be implemented as a bona fide rights issue, particularly in compliance with the provisions in Section 186 (1) of the German Stock Corporation Act (AktG) (minimum subscription period of two weeks) and Section 186 (2) of the German Stock Corporation Act (AktG) (announcement of issue price three days prior to the end of the subscription period). The shareholders will only be offered whole shares for subscription. In terms of the part of the dividend claim, which does not reach or exceeds the subscription price for a whole share, the drawing of cash dividends will be pointed out to shareholders and they will not be able to subscribe to shares in this respect. Neither the offer of partial rights nor the setting up of subscription right trading or fractional parts of these are envisaged. Since the shareholders receive a cash dividend in this respect instead of a new share subscription, this seems justified and appropriate.

   It may be preferable, however, in individual cases and depending on the situation in the capital market, to offer a scrip dividend without being bound in this respect by the restrictions in Section 186 (1) of the German Stock Corporation Act (AktG) (minimum subscription period of two weeks) and Section 186 (2) of the German Stock Corporation Act (AktG) (announcement of issue price three days prior to the end of the subscription period). The Board of Executive Directors shall therefore also be authorised to offer all shareholders, who are entitled to receive a dividend, new shares for subscription in exchange for the investment of their dividend claim in compliance with the general principle of equal treatment (Section 53a of the German Stock Corporation Act (AktG)), however with the consent of the Supervisory Board to formally exclude the shareholders' right to subscribe altogether. The implementation of a scrip dividend with the formal exclusion of the right to subscribe allows the implementation of a capital increase under more flexible conditions. In a context where all shareholders are offered new shares and remaining partial dividend amounts are settled by paying cash dividends, excluding the right to subscribe also appears justified and appropriate in this respect.

Kassel, Germany, March 2016

Board of Executive Directors of K+S Aktiengesellschaft