

Report by the Board of Executive Directors on item 10 of the Agenda pursuant to Section 71 paragraph 1 No. 8 of the German Stock Corporation Act (AktG) in connection with Section 186 paragraph 3 sentence 4, paragraph 4 sentence 2 of the German Stock Corporation Act (AktG)

Item 10 of the Agenda contains the proposal to authorize the company pursuant to Section 71 paragraph 1 No. 8 of the German Stock Corporation Act (AktG) until 10 May 2015 to acquire treasury shares of up to ten percent of the share capital. With the proposed renewed authorization, the company is enabled beyond the previous time frame to continue to use the instrument of acquiring treasury shares, in order to realize the advantages related to the acquisition of treasury shares in the interests of the company and its shareholders. This authorization exists within the legal limits of Section 71 paragraph 2 of the German Stock Corporation Act (AktG).

In addition to the acquisition through the stock exchange, the company is also to be provided with the possibility to acquire treasury shares through a public purchase offer (tender process). In this alternative, each shareholder willing to sell can decide, how many shares and, if a price range is determined, at what price he wants to offer such shares. If the quantity offered at the determined price exceeds the demanded number of shares, the sales offers will have to be allocated. The possibility should exist here to provide for a preferential acceptance of small offers or of small parts of offers of up to a maximum of 100 shares of stock. The purpose of this possibility is to avoid fractional amounts during the determination of the quotas and small residual holdings and to thereby facilitate the technical implementation.

The proposed authorization also provides for the ability of the Board of Executive Directors, with the consent of the Supervisory Board, to carry out a disposal of the acquired treasury shares also in a different manner than on a stock exchange or through an offer to all shareholders, if the acquired treasury shares are disposed of at a price, which is not materially less than the stock exchange price of shares of the company at the time of the disposal.

The possibility provided by the authorization to exclude the subscription right in corresponding application of Section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (AktG) serves the interest of the company to sell treasury shares e.g. to long-term oriented investors or to win new shareholder groups at home and abroad. The possibility to exclude the subscription right enables the management to make use of the opportunities for a fast and cost-effective placement that may come up because of the situation of stock exchanges at the time without offering a subscription right that involves significant efforts in terms of time and costs.

The purpose of acquiring treasury shares is also to enable the company based on the proposed authorization resolution to act flexibly and cost-effectively when acquiring enterprises within the context of its intended acquisition policy, in order to e.g. use treasury shares as consideration when buying enterprises in certain cases.

In addition, it is meant to enable the company to use the shares also for serving conversion and option bonds. It may be practical to use treasury shares in whole or in part instead of new shares from a capital increase to fulfil the conversion or option rights. By using treasury shares, any dilution of the shares of shareholders that would occur if the conditional capital were used, is ruled out. When deciding, whether to deliver treasury shares or to utilize the conditional capital, the Board of Executive Directors will diligently balance the interests of the company and of the shareholders.

The financial and voting right interest of shareholders are reasonably protected during a disposal of the own shares to third party when the subscription right of shareholders is concluded based on the rule of Section 71 paragraph 1 No. 8 of the German Stock Corporation Act (AktG). The acquired treasury shares may, if they are to be disposed of other than on the stock exchange or through an offer to all shareholders, be disposed of only at a price, which is not materially less than the relevant stock exchange price of the company's shares at the time of disposal (cf. No. 2 lit. a) of the authorization). The authorization to exclude the subscription right is limited to a total of ten percent of the company's share capital. Shares are credited towards this maximum limit, which were issued during the term of this authorization in connection with a capital increase using authorized capital or conditional capital with the exclusion of the subscription right. This credit occurs in the interest of shareholders in the smallest possible dilution of their participation.

10 March 2010

The Board of Executive Directors
K+S Aktiengesellschaft