

/ Management Report and Annual Financial Statements 2010

K+S Aktiengesellschaft
Kassel, Germany

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MANAGEMENT REPORT OF THE K+S AKTIENGESELLSCHAFT

Group structure and business operations

Group legal structure

K+S AG acts as the holding company for the K+S Group. The economic development of the K+S Group and therefore also of K+S Aktiengesellschaft is influenced to a substantial degree by direct and indirect subsidiaries located in Germany and abroad. In its capacity as a holding company, K+S Aktiengesellschaft provides a wide variety of services for its subsidiaries. Additionally, the business activities of K+S Aktiengesellschaft include the granulation of the animal hygiene product CATSAN® for the partner Mars. The activities of the K+S Group are divided into four business segments that are closely interlinked in terms of strategic, technical and economic aspects. The management of the business segments is identical to the management of the important operationally active subsidiaries.

Business segments of the K+S Group

Significant subsidiaries are the directly held K+S KALI GmbH, K+S Nitrogen GmbH, K+S Salz GmbH as well as K+S Finance Belgium BVBA. COMPO GmbH & Co. KG and fertiva GmbH are held via K+S Nitrogen GmbH. K+S Salz GmbH groups together esco – european salt company GmbH & Co. KG as well as K+S Salt of the Americas Holding B.V., holding the shares in the companies associated with the business activities of Sociedad Punta de Lobos S.A. (SPL), Chile. K+S Finance Belgium BVBA holds the shares in the Morton Group via K+S North America Salt Holdings LLC. While in the case of K+S KALI GmbH and K+S Salz GmbH, the foreign subsidiaries are grouped together in own subsidiaries, the foreign companies of the Nitrogen Fertilizers business segment are managed largely under K+S Beteiligungs GmbH, a direct subsidiary of K+S Aktiengesellschaft. The Complementary Business Segments too are largely related to K+S Aktiengesellschaft through subsidiaries.

The Potash and Magnesium Products business segment extracts potash and magnesium crude salts at six mines in Germany, which are further processed there to create end products or intermediate products. The former mining site Bergmanns-segen-Hugo located in the Hanover region has been functioning solely as a processing site since 1995. Furthermore, the business segment has three processing sites in France. In terms of end products, the annual production capacity of the business segment is up to 7.5 million tonnes of potash and magnesium products. Through the acquisition of the Canadian company Potash One, the business segment will in future have the possibility to increase its production capacity over the long term by at least 2.7 million tonnes with the Legacy Project. A broad distribution network facilitates the sale of these products on almost all European and in many overseas markets. The Potash and Magnesium Products business segment is predominantly reflected in K+S KALI GmbH and its subsidiaries. The company's head office is based in Kassel.

The Nitrogen Fertilizers business segment consists chiefly of the K+S Nitrogen GmbH as well as its subsidiary COMPO GmbH & Co. KG. K+S Nitrogen markets nitrogenous fertilizers with an orientation towards bulk customers in agriculture and special crops

such as fruit, vegetables and grapes. The head office of the company is in Mannheim. In addition to the fertilizers produced exclusively for them by BASF, K+S Nitrogen also markets goods of other reputable European fertilizer producers. COMPO's head office is in Münster; it has production sites in Germany and Western Europe. Additionally, COMPO has some of its products manufactured by BASF in Ludwigshafen. COMPO sells its products in the Consumer and Expert segments directly and via subsidiaries in Germany and abroad. In mid-2010, it was announced that a sale of COMPO within one year was being examined, since the K+S Aktiengesellschaft's growth strategy envisions to focus management and financial resources particularly on the areas of potash and magnesium products as well as salt.

In the Salt business segment, the K+S Group markets food grade salt, industrial salt, salt for chemical use and de-icing salt. K+S is the world's largest supplier of salt products. Its annual production capacity totals about 30 million tonnes of salt. The Salt business segment comprises the sub-units esco – european salt company GmbH & Co. KG (esco), Hanover, whose activities are mainly focused on Europe, the Chilean Sociedad Punta de Lobos S. A. (SPL), Santiago de Chile, with activities in South America and the United States, as well as Morton Salt, Inc., Chicago, one of the largest salt producers in North America. esco operates three rock salt mines, two brine plants, as well as several plants processing evaporated salt in Germany, France, the Netherlands, Portugal and Spain, and has numerous distribution sites in Europe. The annual production capacity of esco in Europe is about 8.0 million tonnes of crystallised salt and 1.7 million tonnes of salt in brine. The Chilean SPL extracts rock salt in Salar Grande de Tarapacá through cost-effective open-cast mining. The production capacity there amounts to approximately 6.5 million tonnes per annum. Moreover, Salinas Diamante Branco, which belongs to the SPL Group, operates a sea salt facility with an annual capacity of 0.5 million tonnes in the north-eastern part of Brazil. In the United States, SPL distributes its salt products via the International Salt Company (ISCO). The Chilean shipping company Empreemar with a fleet of six ships of its own as well as additional chartered ships providing maritime logistics for the SPL Group in South America, also forms part of the Salt business segment. Morton Salt operates six rock salt mines, seven solar plants and ten plants processing evaporated salt in the United States, in Canada and on the Bahamas. The annual production capacity totals about 13 million tonnes of salt. The Salt business segment is represented in Europe as well as North America and South America with its own distribution units and via platform companies of the K+S Group.

In addition to recycling activities, the underground disposal and the reutilisation of waste in potash and rock salt mines (waste management and recycling) as well as the granulation of CATSAN® at the Salzdetfurth site, the term "Complementary Business Segments" bundles further activities of importance to the K+S Group. With Kali-Transport Gesellschaft mbH (KTG), Hamburg, the K+S Group possesses its own logistics service provider. Chemische Fabrik Kalk GmbH (CFK) trades in a variety of basic chemicals.

Legal and economic influencing factors

The K+S Group must observe numerous national and international laws and legal directives: Alongside the general legal regulations, mining and environmental law (e.g. water law, waste law, air pollution law, soil protection law etc.) as well as work and health safety law are of particular relevance to us. The securing of existing mining rights as well as the acquisition of new mining rights are of fundamental importance for the K+S Group, too.

In the case of economic influencing factors relevant to the K+S Group, collective wage bargaining agreements in Germany and North America are particularly important as about 67% of our workforce is employed in Germany and, since the takeover of Morton Salt, about 20% work in North America and personnel expenses constitute a main cost item for the K+S Group. Over the past few years, we have been able to enhance our capacity to react to earnings developments both by means of flexible working hour models and variable salary components. The latter are e.g. linked to company success. Transport, energy and raw material costs as well as the development of the US dollar exchange rate also have a great impact on the economic success of the K+S Group.

Declaration on Corporate Governance

Declaration on conformity 2010/2011

In December 2010, the Board of Executive Directors and the Supervisory Board of K+S Aktiengesellschaft submitted the following joint declaration on conformity in accordance with Sec. 161 of the German Stock Corporation Act (Aktiengesetz – AktG):

This and all earlier declarations on conformity are published under www.k-plus-s.com in the Corporate Governance section.

“We declare that the recommendations of the Government Commission on the German Corporate Governance Code published by the German Ministry of Justice in the official section of the electronic Federal Gazette were complied with in 2010 and will be complied with in 2011, in each case subject to the following:

2010

The recommendations of the German Corporate Governance Code, as amended on 18 June 2009, were complied with in 2010, except that merely for the Supervisory Board's audit committee, the chairmanship and membership are taken into account for remuneration purposes (Item 5.4.6 of the Code); for the remaining committees, no additional remuneration beyond the payment of a separate meeting remuneration is deemed necessary.

2011

The recommendations of the German Corporate Governance Code, as amended on 26 May 2010, will be complied with in 2011, except that merely for the Supervisory Board's audit committee, the chairmanship and membership are taken into account for remuneration purposes (Item 5.4.6 of the Code); for the remaining committees, no additional remuneration beyond the payment of a separate meeting remuneration is deemed necessary.”

With regard to the numerous suggestions contained in the Code, the following two are the only ones not to have been or not to have fully been implemented by K+S:

The Annual General Meeting has not as yet been carried live on the Internet in its full length (Code Item 2.3.4), but it was only carried up to the end of the speech by the chairman of the Board of Executive Directors.

The variable remuneration of the Supervisory Board is linked to the return on total investment of the respective financial year and does not contain any components that are based on the long-term success of the Company (Code Item 5.4.6 Para. 2 Sent. 2).

Compliance

Our compliance system creates the organisational prerequisites for applicable law, our internal regulations and guidelines as well as those regulatory standards recognised by the Company being familiar across the Group and compliance with them being able to be monitored. We thus want not only to avoid the risks of liability, penalties and fines as well as other financial disadvantages for the Company, but also to ensure a positive reputation of the Company and its employees in the public eye. We regard it as a matter of course that breaches of compliance are systematically pursued and punished.

The Board of Executive Directors has entrusted a Chief Compliance Officer, who reports directly to the chairman of the Board of Executive Directors, with coordinating and documenting compliance activities across the Group. He heads the central compliance committee to which the compliance representatives of the holding and the business segments as well as the heads of the holding units belong, who perform compliance-relevant tasks (e.g. internal audit, risk management, legal affairs, personnel, environmental protection, work safety, quality management).

For K+S, the relevant legal provisions, especially the legislation that governs stock corporations, co-determination and the capital markets, our Articles of Association, the German Corporate Governance Code as well as the bylaws of the Supervisory Board and of the Board of Executive Directors form the basis on which management and control within the Company has been shaped. Over and above the legal obligations, we have defined for ourselves core values and principles of conduct derived from them which form a compulsory framework for our conduct and our decisions as well as provide orientation for our corporate actions. Our core values and the principles of conduct are published on our homepage at www.k-plus-s.com in the section About K+S. Every employee is made familiar with these core values and principles of conduct (the Code of Conduct) applying throughout the Group, as well as with the Company guidelines derived from them. Obligatory training sessions for potentially affected employees are held in relation to specific issues (e.g. anti-trust law, anti-corruption measures, environmental protection, work safety law). The employees have the possibility of seeking advice in compliance-related matters through internal helplines. Moreover, we have set

up external help- and hotlines (ombudsmen) to give advice, who can also be notified of breaches, anonymously if desired.

Corporate bodies

The corporate bodies are the Annual General Meeting, the Board of Executive Directors and the Supervisory Board. The powers vested in these bodies are governed by the German Stock Corporation Act (AktG), the Articles of Association and the respective bylaws of the Board of Executive Directors and the Supervisory Board.

Shareholders and the Annual General Meeting

The shareholders assert their rights at the Annual General Meeting and decide on fundamental matters affecting K+S Aktiengesellschaft by exercising their voting rights. Each share carries one vote (one share, one vote principle). All documents of decision-making importance are also available to the shareholders on our website. The Annual General Meeting is also carried live on the Internet up to and including the speech by the chairman of the Board of Executive Directors. The shareholders can have their voting rights exercised by an authorised representative of their choice, for example through a proxy designated by K+S, to whom instructions can be issued. The granting of a power of attorney and issuing of voting instructions to one of the proxies designated by K+S are also possible via an electronic power of attorney and voting instruction system on the website of K+S. Shortly after the end of the Annual General Meeting, we publish details of attendance and the results of the voting on the Internet.

Operations of the Board of Executive Directors

The Board of Executive Directors is responsible for managing the Company in accordance with the law, the Articles of Association and its bylaws, taking into account the resolutions adopted by the Annual General Meeting. The Board of Executive Directors represents the Company in its dealings with third parties. The K+S Group is managed through regular strategic consultations at the Board of Executive Directors level as well as with the heads of the business segments and heads of the holding units, in order to then systematically and in a timely manner implement the appropriate results in the form of annual and medium-term plans as well as agreed targets. The Board of Executive Directors and senior management are informed about the development of essential financial indicators as well as of operational early indicators of the Group and its business segments on a monthly basis – with focus on the commentaries on developments and divergences from targets with respect to production, sales volume, revenues, costs, earnings, personnel and capital expenditure. More information on Company management can be found on pages 24 et seqq. The Board of Executive Directors has taken appropriate measures, and particularly established a monitoring system, so that developments that might place the continued existence of the Company at risk can be identified at an early stage. This system is being continually further developed and adjusted to take account of changed conditions. Details about risk and opportunity management can be found in the risk report on pages 28 et seqq.

You can find further information about the Annual General Meeting on our homepage www.k-plus-s.com/hv.

The bylaws of the Board of Executive Directors can be found on our website in the Corporate Governance section.

Further information on the composition of the Board of Executive Directors and distribution of divisional responsibilities can be found on our website in the Corporate Governance section.

The Board of Executive Directors consists, in accordance with Art. 5 Para. 1 of the Articles of Association of the Company, of at least two members. The number of members is determined by the Supervisory Board; the Board of Executive Directors currently consists of five members. The bylaws govern its cooperation and the allocation of business responsibilities. The members of the Board of Executive Directors affected must be informed about matters of importance that concern more than one organisational division; measures, which also affect other organisational divisions or whose scope deviates from the normal course of day-to-day business must be agreed about with the other members of the Board of Executive Directors. Such matters should be discussed at meetings of the Board of Executive Directors as far as possible, and measures decided on there, if necessary; a vote or resolution should always be passed concerning important personnel and structural organisational measures as well as business transactions and measures requiring the consent of the Supervisory Board.

Operations of the Supervisory Board

Further information on the composition of the Supervisory Board and its committees can be found on our website in the Corporate Governance section.

The Supervisory Board of the Company is composed in accordance with Art. 8 Para. 1 of the Articles of Association of the Company, pursuant to statutory provisions. It currently consists of 16 members and is subject to co-determination in accordance with the German Co-Determination Act (Mitbestimmungsgesetz). The Supervisory Board members are 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. They are each elected for a period of five years.

More details on the Supervisory Board's activities in the 2010 financial year can be found in the Supervisory Board report on pages 6 et seqq. of the financial report.

The Supervisory Board oversees and advises the Board of Executive Directors in connection with the carrying on of business. It is involved in all decisions of fundamental importance, appropriately and in sufficient time. The Board of Executive Directors informs it at regular intervals in a timely and comprehensive manner about the course of business, the earnings and financial position, the employment situation as well as the planning and further development of the Company. The Supervisory Board regularly receives written reports from the Board of Executive Directors for the preparation of meetings. After careful review and consulting, the Supervisory Board adopts resolutions on the reports and proposals, where necessary. In the case of particular business procedures of great importance to the Company, the Supervisory Board is also provided with immediate and extensive information in writing by the Board of Executive Directors between regular meetings. In addition, the Supervisory Board carries out an efficiency review at least once a year in the form of a questionnaire, in order to obtain pointers for the future work of the Supervisory Board and the committees.

The bylaws of the Supervisory Board can be found on our website under Corporate Governance.

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

The audit committee has the tasks arising from the German Stock Corporation Act (AktG) as well as Code Item 5.3.2 of the German Corporate Governance Code. It is particularly involved in monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the

compliance system and the audit of the financial statements. It also discusses the half-yearly and quarterly financial reports with the Board of Executive Directors prior to publication. On the basis of his professional experience as head of the Central Department Legal Affairs, Tax and Insurance (until the end of 2007) and as Chief Compliance Officer of BASF SE, Dr. Sünner, chairman of the audit committee, possesses comprehensive knowledge and experience with respect to the application of accounting principles and internal control procedures. The audit committee consists of five members, namely three shareholder and two 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 of the various members of the Board of Executive Directors, the committee submits proposals for resolutions to the plenary meeting of the Supervisory Board. The chairman of the Supervisory Board is simultaneously the chairman of this committee. The personnel committee consists of four members and is composed in equal parts of shareholder and employee representatives.

The nomination committee recommends suitable Supervisory Board candidates to the Supervisory Board to propose to the Annual General Meeting. The chairman of the Supervisory Board is simultaneously the chairman of this committee. The committee consists of four members and is composed exclusively of representatives of the shareholders.

The mediation committee performs the tasks set forth in Sec. 31 Para. 3 Sent. 1 of the Co-Determination Act. The chairman of the Supervisory Board is simultaneously the chairman of this committee. The four members of the committee represent in equal parts the shareholders and the employees.

Objective for the composition of the Supervisory Board

The Supervisory Board of the Company currently comprises 16 members, eight of which were elected by the Annual General Meeting and the other eight by the employees of the German companies of the K+S Group (two of these members are representatives of the trade unions). The term of office of the chairman ends at the close of the 2012 ordinary Annual General Meeting, that of Mr. Cardona at the close of the 2015 ordinary Annual General Meeting and those of the remaining members at the close of the 2013 ordinary Annual General Meeting.

The last joint declaration on conformity of the Company states that, for example, the recommendation under Code Item 5.4.1 of the German Corporate Governance Code is followed, according to which the Supervisory Board should name specific goals for its composition. It should be noted that the Supervisory Board does not itself decide on its composition and therefore may only promote the realisation of the objectives pursued by it by proposing corresponding nominations to the Annual General Meeting. As a governing body, it must not influence proposals for the election of employee representatives.

In the light of this, at its meeting of 24 November 2010, the Supervisory Board has decided on the following:

"The Supervisory Board shall ensure that its members are personalities of integrity, associated with the social market economy, and have competence and many years of experience in the management of and/or consulting services to commercial enterprises or business-oriented institutions. Experience and specific knowledge of the main fields of activity of the Company are desirable. At least one independent financial expert must belong to the Supervisory Board.

On the basis of 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 particular presence is especially desirable.

Within this framework, the aim is for the Supervisory Board to include a percentage share of female members that corresponds at least to the percentage share of women in the total number of employees of the K+S Group.

A further aim is that at least half of the shareholder representatives on the Supervisory Board are independent. This assumes 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 and also otherwise do not have a significant business or personal relationship to the Company or its Board of Executive Directors. Potential conflicts of interest on the part of the persons proposed for election to the Supervisory Board should be prevented, where possible.

The Supervisory Board shall only submit candidates to propose to the Annual General Meeting who will have not yet completed their 70th year at the time of their election."

The Supervisory Board believes that the aforementioned objectives are currently fulfilled, with one exception: with Ms. Benner-Heinacher, the Supervisory Board has only one female member. In light of the current proportion of women of approx. 10% in the total workforce of the K+S Group, the aim is the membership of at least two women.

Board of Executive Directors and Supervisory Board cooperation

The Board of Executive Directors briefs the Supervisory Board at regular intervals in a timely and comprehensive manner about all issues that are of relevance to the Company as a whole and concern Company strategy, planning, the development of business and the financial and earnings position of the Company as well as about any particular risks and opportunities of relevance to the Company. Important business transactions and measures require the consent of the Supervisory Board; more information on this can be found in Sec. 12 of the bylaws of the Supervisory Board.

Conflicts of interest

No conflicts of interest on the part of members of the Board of Executive Directors or the Supervisory Board about which the Annual General Meeting would have to be informed were disclosed to the Supervisory Board during the period under review. In order to prevent potential conflicts of interest, Mr. Cardona and Dr. Sünnner did not participate in two plenary sessions each on discussions on issues, which could also affect interests of OAO EuroChem and BASF SE. Mr. Vassiliadis declared that if corresponding issues were to be dealt with in the Supervisory Board of BASF SE, he would not participate in these discussions. Resolutions were not adopted in relation to these issues.

D&O insurance

K+S takes out D&O insurance e.g. in case, members of the Board of Executive Directors or of the Supervisory Board are held liable on the basis of statutory liability provisions for damages for financial losses due to a breach of duty committed in the exercise of their activities. The deductible is 10% of the respective damage up to a maximum of the amount of one-and-a-half times the fixed annual remuneration. The D&O insurance is also applied to the senior management and to other senior executives.

Share transactions of members of the Supervisory Board and of the Board of Executive Directors

In accordance with Sec. 15a of the German Securities Trading Act (WpHG), members of the Board of Executive Directors and of the Supervisory Board of K+S Aktiengesellschaft must disclose purchases or disposals of K+S shares.

In 2010, the following directors' dealings were notified to K+S Aktiengesellschaft:

Members of the Board of Executive Directors

| | Date | Transaction | Number | Price in € | Amount in € |
|-------------------|--------------|--------------------|--------|------------|-------------|
| Norbert Steiner | 15 Nov. 2010 | Sale of shares | 5,000 | 49.79 | 248,950.00 |
| Joachim Felker | 15 Nov. 2010 | Sale of shares | 3,956 | 49.14 | 194,397.84 |
| Gerd Grimmig | 15 Nov. 2010 | Sale of shares | 3,000 | 49.79 | 149,370.00 |
| Dr. Thomas Nöcker | 19 May 2010 | Purchase of shares | 1,300 | 39.54 | 51,404.60 |

Members of the Supervisory Board

| | Date | Transaction | Number | Price in € | Amount in € |
|-----------------|---------------|----------------|--------|------------|-------------|
| Dr. Ralf Bethke | 11 March 2010 | Sale of shares | 6,004 | 45.65 | 274,104.69 |

As of 31 December 2010, the members of the Board of Executive Directors and of the Supervisory Board held fewer than 1% of the total number of shares issued by K+S Aktiengesellschaft.

Accounting and audit policies

The German Commercial Code (HGB) has been applied in preparing the financial statements of K+S Aktiengesellschaft. In 2010 for the first time, we allowed for the

A constantly updated table can be found on our homepage at www.k-plus-s.com/en/meldungen/directors-dealings/

innovations as laid down in the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG). International Financial Reporting Standards (IFRS) have been applied since the beginning of 2005 in preparing the consolidated financial statements of the K+S Aktiengesellschaft. Audits for 2010 have been conducted by Deloitte & Touche GmbH, Hanover, and it has issued a declaration of independence pursuant to Code Item 7. 2. 1 of the German Corporate Governance Code. The auditor is appointed by the Supervisory Board, acting on a recommendation submitted by the audit committee, after the main topics to be covered by the audit and the fees have been agreed with the auditor elected by the Annual General Meeting. The chairman of the Supervisory Board and the chairman of the audit committee are to be immediately advised by the auditor of any grounds giving rise to exclusions or objections that may arise during the audit if they cannot be eliminated immediately. Furthermore, the auditor should immediately advise of all findings and developments 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, the auditor ascertains any facts suggesting incompatibility with the declaration on conformity issued by the Board of Executive Directors and the Supervisory Board in accordance with Sec. 161 AktG.

Transparency

It is our goal to provide information about the position of the Company and about all significant changes in business to shareholders, shareholder associations, financial analysts, the media and the interested general public by means of regular, open and current communications simultaneously and in an equal manner. We publish all important information such as information on the Annual General Meeting, press releases, ad hoc notifications and disclosures of voting rights, all financial reports, corporate/ sustainability reports, but also analysts' recommendations and consensus forecasts as well as Company presentations from roadshows and investors' conferences on our website.

The financial calendar can be found in the financial report, in the half-yearly and quarterly financial reports as well as on the Company's website. The Company's Articles of Association as well as the bylaws of the Board of Executive Directors and the Supervisory Board can also be viewed on our website along with detailed information on the implementation of the recommendations and suggestions contained in the German Corporate Governance Code. An e-mail newsletter keeps constantly informed about new developments in the Group.

Remuneration Report

With the following remuneration report, the Board of Executive Directors meets its reporting obligations under Sec. 289 Para. 2 No. 5 of the German Commercial Code (HGB) and under Item 4.2.4, 4.2.5 and 5.4.6 Para. 3 of the German Corporate Governance Code.

Remuneration of the Board of Executive Directors

Remuneration structure

The criteria for the appropriateness of the remuneration include especially the responsibilities of each member of the Board of Executive Directors, his individual performance, the performance of the Board of Executive Directors as a whole, the comparison with other senior management, as well as the economic position, the success and the future prospects of the Company taking into consideration its comparative environment.

The remuneration for the members of the Board of Executive Directors consists of annual elements and elements 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 the fixed remuneration as well as in-kind and other benefits; the bonus is the performance-related part. There is also a variable remuneration component based on key figures, with a long-term incentive (LTI). Furthermore, the members of the Board of Executive Directors have received pension commitments.

The fixed remuneration as remuneration not related to performance is paid monthly. In addition to this, the members of the Board of Executive Directors receive benefits, in particular contributions to pension, health and long-term care insurance as well as in-kind benefits, which consist mainly of the use of company cars.

In order to optimally harmonise the interests of the shareholders with those of the Board of Executive Directors, a part of the bonus is determined on the basis of the return on total investment of the Group. Moreover, the personal performance of the members of the Board of Executive Directors is taken into consideration when calculating the bonuses; the payment is made 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%. Of the variable component, 80% is linked to the performance of the Company, i.e. to the return on total investment achieved; the remaining 20% is dependent on personal performance. Remuneration of 100% is reached if, on the one hand, the return on total investment achieved reaches at least 115% of the respective cost of capital rate and, on the other hand, personal performance was assessed as being 100%. Remuneration on the basis of return on total investment is capped at a value of 20 percentage points above the minimum return. The ranges for target accomplishment of the two variable remuneration components are between 0 and about 150%. The amount of the remuneration on the basis of a normal year is reviewed annually.

The following table is an illustrative calculation of the annual remuneration of an ordinary member of the Board of Executive Directors:

| in € | Achievement of target 100% ¹⁾ | Achievement of target 0% ²⁾ | Maximum achievement of target ³⁾ |
|--|--|--|---|
| Fixed remuneration: 40% | 380,000 | 380,000 | 380,000 |
| Bonus: 60% | 570,000 | 0 | 867,000 |
| - of which performance of the Company: 80% | 456,000 | 0 | 696,000 |
| - of which personal achievement of target: 20% | 114,000 | 0 | 171,000 |
| Total remuneration | 950,000 | 380,000 | 1,247,000 |

¹⁾ Return on total investment \geq minimum return; personal achievement of target \geq 100%

²⁾ Return on total investment \geq 0%; personal achievement of target \geq 0%

³⁾ Return on total investment + minimum return + 20 percentage points; personal achievement of target \geq 150%

In addition, as of 2010, it is possible for income to be obtained from a long-term incentive programme based on key figures as a variable component of remuneration with a long-term incentive and a risk character. It is based on a multi-annual assessment basis in accordance with the value contribution achieved. The contribution of the Board of Executive Directors to the Company's success is thus determined on the basis of four-year periods. The value contribution is derived as follows:

Operating earnings (EBIT I)

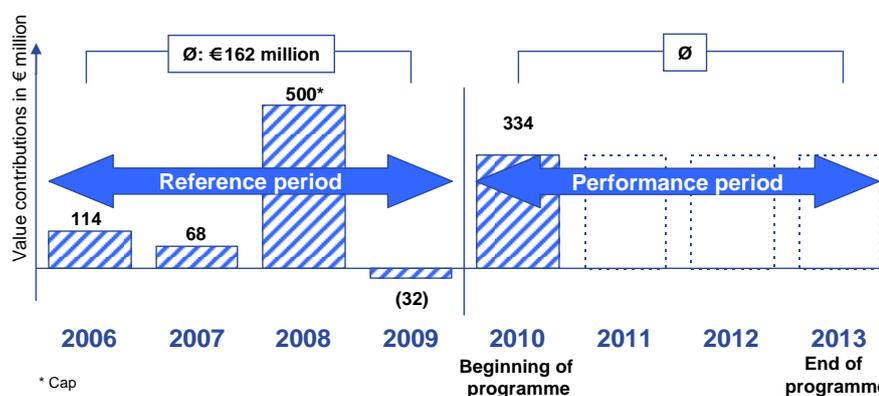
+ Interest income of the financial year

- Cost of capital (before taxes) of the financial year

= Value contribution

There is a cap for the value contribution at +/- € 500 million per financial year.

To determine the result of an LTI tranche, two four-year periods are compared ("reference period" and "performance period"). The reference period covers the four years before the commencement of the particular LTI, while the performance period covers the four years of the LTI term. The following diagram shows the time periods of the 2010 programme:



At the beginning of an LTI, the average of the four value contributions of the reference period is computed, and after the expiry of the programme, the average of the four

value contributions of the performance period is determined. The difference between these average value contributions is reflected as a percentage on a scale from € (200) million to € +200 million. A stable development, i.e. a difference of € 0 million, corresponds to 100% and is defined as a normal year. In such a normal year the variable component of remuneration with a long-term incentive for an ordinary member of the Board of Executive Directors is € 350,000. In the case of an underperformance, the payment decreases on a straight-line basis to 0% in line with the percentage deviation. In the case of an overperformance, the payment increases correspondingly up to an upper limit of 200% (= € 700,000). For the chairman of the Board of Executive Directors, the component of remuneration is one-and-a-half times as much, i.e. € 525,000 in a normal year and € 1,050,000 on attaining the upper limit.

Payment is made in the April of the year following the end of the programme. In the event of termination of the employment contract or retirement, a discounted payment on a pro rata basis of all current tranches is made at the end of the following year.

For the gaps in inflow arising as a result of switching the variable remuneration component with a long-term incentive effect from a two-year to a four-year term in 2012 and 2013, the new LTI Programme was already started virtually in 2008 and 2009 with a tranche in each particular case.

The new system of remuneration of the Board of Executive Directors was approved by a large majority by the Annual General Meeting of 2010 and signalled by Euroshareholders, the organisation of European Shareholders Associations, as a particularly shareholder-friendly remuneration system.

The LTI Programme replaces the system in place between 1999 and 2009 with the possibility for income to be obtained by exercising stock options as a variable component of remuneration with a long-term incentive and risk character. As part of a virtual stock option programme, whose structure is identical to that for the remaining stock option programme participants, members of the Board of Executive Directors could use 30% of their performance-related remuneration for own investments in K+S shares for the last time in 2009. By acquiring such basic shares, the participants received virtual options that trigger a cash payment when exercised. The amount of the cash payment is determined according to the performance of the K+S share in relation to the DAX benchmark. The basic prices of the K+S share and the DAX decisive for the calculation of performance correspond to the average share price during the 100 trading days until the respective base reference date (the third from last Friday before the ordinary Annual General Meeting). A subsequent change of the success targets or comparison parameters is impossible.

The options granted up to 2009 expire after a period of five years, after which the unexercised options expire without compensation. After a lock-up period of two years, it is possible to exercise the options within two time windows per year, in May and November, following the publication of the quarterly figures. In order to be able to exer-

cise the options, the basic shares must be held in succession until the day the option is exercised. In the event of a change of control, a special window opens up for the exercise of all still outstanding options.

In the event of withdrawal or resignation, those virtual options that have not yet been exercised by that time expire.

Amount of remuneration

Details of the remuneration of the Board of Executive Directors for the financial year 2010 are provided in individualised form in the table below. The respective figures for the previous year are stated in italics:

Remuneration of the Board of Executive Directors

| in T€ | Annual income | | | Options granted | | Total |
|------------------------------------|--------------------|--------------|----------------|-----------------|---------------------|----------------|
| | Fixed remuneration | Benefits | Bonus | Number | Value ¹⁾ | |
| Norbert Steiner | 590.0 | 24.7 | 1,017.7 | – | – | 1,632.4 |
| | <i>590.0</i> | <i>24.1</i> | <i>527.7</i> | <i>190,000</i> | <i>959.3</i> | <i>2,101.1</i> |
| Joachim Felker | 380.0 | 19.9 | 645.0 | – | – | 1,044.9 |
| | <i>380.0</i> | <i>20.5</i> | <i>320.0</i> | <i>152,900</i> | <i>772.0</i> | <i>1,492.4</i> |
| Gerd Grimmig | 380.0 | 30.1 | 645.0 | – | – | 1,055.1 |
| | <i>380.0</i> | <i>26.8</i> | <i>325.7</i> | <i>153,060</i> | <i>772.8</i> | <i>1,505.3</i> |
| Dr. Thomas Nöcker | 380.0 | 23.5 | 645.0 | – | – | 1,048.5 |
| | <i>380.0</i> | <i>22.2</i> | <i>320.0</i> | <i>152,900</i> | <i>772.0</i> | <i>1,494.2</i> |
| Jan Peter Nonnenkamp ²⁾ | 380.0 | 23.2 | 645.0 | – | – | 1,048.2 |
| | <i>221.7</i> | <i>42.6</i> | <i>186.7</i> | – | – | <i>451.0</i> |
| Total | 2,110.0 | 121.4 | 3,597.7 | – | – | 5,829.1 |
| | <i>1,951.7</i> | <i>136.1</i> | <i>1,680.1</i> | <i>648,860</i> | <i>3,276.1</i> | <i>7,044.0</i> |

¹⁾ At the date of granting; exercise of the options is possible no earlier than two years after they have been granted.

²⁾ Since 1 June 2009.

In the year under review, the total remuneration of the Board of Executive Directors accounted for five board members, all of whom were in office for twelve months. In the previous year all members had been in office for twelve months, with the exception of Mr Nonnenkamp, who had been appointed by the Supervisory Board as a member of the Board of Executive Directors with effect from 1 June 2009. For 2009, Mr Nonnenkamp earned no claim arising from option rights, because he had not yet been appointed on the effective date of 31 December 2008. The increase in bonuses in comparison to the previous year is in particular the result of the significantly higher return on total investment in 2010. The decline in the total remuneration as compared with the previous year is to be attributed to the option rights granted for the last time in 2009 under the stock option programme. In 2010, there is no disclosure of the new LTI programme, as it has to be disclosed at the time of payment as a remuneration component.

The payments for the virtual options of the 2008 option programme exercised in full in 2010 by members of the Board of Executive Directors were, for individual members (figures

for the previous year in brackets): Mr Steiner T€ 278.2 (T€ 650.5), Mr Felker T€ 525.9 (T€ 596.2), Mr Grimmig T€ 526.8 (T€ 597.9) and Dr Nöcker T€ 525.9 (T€ 596.2).

The values of the stock options acquired but not yet exercised in the framework of the option programme offered for the last time in 2009 are shown in the following table (value had they been exercised on 31 December 2010). The figures for the previous year are stated in italics:

Remuneration with long-term incentive character

| Option programme 2009 | | |
|-----------------------|----------------------------------|----------------------------------|
| | Number of options | Value in T€ on 31.12. |
| Norbert Steiner | 190,000 <i>190,000</i> | 531.8 <i>387.0</i> |
| Joachim Felker | 152,900 <i>152,900</i> | 427.9 <i>311.4</i> |
| Gerd Grimmig | 153,060 <i>153,060</i> | 428.4 <i>311.7</i> |
| Dr. Thomas Nöcker | 152,900 <i>152,900</i> | 427.9 <i>311.4</i> |
| Jan Peter Nonnenkamp | – – | – – |
| Total | 648,860 <i>648,860</i> | 1,816.0 <i>1,321.5</i> |

Pension commitments

The pensions of the active members of the Board of Executive Directors are based on a modular system, i.e. for each year of service, a pension module is created.

In 2010, the basis for determining the pension modules was separated from variable remuneration and based exclusively on the fixed income of the particular member of the Board of Executive Directors. In order to create a module on the basis of the remuneration for a normal year, the basis for calculation is 40% of the fixed remuneration. The annual total pension under this modular system was limited upwards, in order to avoid unreasonable pensions in the case of long-standing appointments (>15 years). The upper limit for an ordinary member of the Board of Executive Directors is € 225,000, and for the chairman of the Board of Executive Directors it is € 300,000. The figures will be reviewed in a three-year cycle – beginning with financial year 2014 – and adjusted if necessary.

The amount is computed in accordance with actuarial principles and put aside for retirement; the factors for the creation of the modules for 2010 for the members of the Board of Executive Directors are between 16.5 % and 10.0 %, depending on their age; these factors decrease with increasing age. The individual pension modules earned during the 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 the benefit he is entitled to. Only on payment are pension benefits adjusted in line with

changes in the "consumer price index for Germany". Claims on the modules acquired are vested.

If a Board of Executive Directors mandate ends, the retirement pension starts on completion of the 65th year of life, unless it is to be paid on the basis of an occupational or a general disability or as a survivor's pension in the case of death. In the case of occupational or general disability of a member of the Board of Executive Directors before pensionable age has been reached, that member receives a disability pension in the amount of the pension modules created by the time that such disability occurs. If the disability occurs before the 55th year of life has been reached, modules are fictitiously created on the basis of a minimum value for the years that are missing before the 55th year of life. In the event of death of an active or a former member of the Board of Executive Directors, the surviving spouse receives 60%, each half-orphan 15% and each orphan 30% of the benefit. The maximum amount for the benefit for surviving dependents must not exceed 100% of the benefit. If this amount is reached, the benefit is reduced proportionately. If a member of the Board of Executive Directors departs after completing his 60th year of life, this is regarded as insured event within the meaning of the benefit commitment. For members of the Board of Executive Directors, the following amounts were allocated to the pension provisions in 2010; the respective figures for the previous year do not take into account the innovations as laid down in the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG) and are stated in italics:

Pensions

| in T€ | Age | Fair value as of 1.1. | Pension expenses ¹⁾ | Fair value as of 31.12. |
|------------------------------------|-----|----------------------------------|----------------------------------|----------------------------------|
| Norbert Steiner | 56 | 2,050.7 <i>2,066.1</i> | 552.2 <i>(188.9)</i> | 2,602.9 <i>1,877.2</i> |
| Joachim Felker | 58 | 1,331.5 <i>890.6</i> | 340.5 <i>51.7</i> | 1,672.0 <i>942.3</i> |
| Gerd Grimmig | 57 | 2,021.7 <i>1,501.5</i> | 425.0 <i>15.5</i> | 2,446.7 <i>1,517.0</i> |
| Dr. Thomas Nöcker | 52 | 1,134.6 <i>847.5</i> | 336.0 <i>(57.5)</i> | 1,470.6 <i>790.0</i> |
| Jan Peter Nonnenkamp ²⁾ | 47 | 90.4 <i>–</i> | 278.5 <i>66.9</i> | 368.9 <i>66.9</i> |
| Total | | 6,628.9 <i>5,305.7</i> | 1,932.2 <i>(112.3)</i> | 8,561.1 <i>5,193.4</i> |

¹⁾ Including interest expenses.

²⁾ Since 1 June 2009.

The significant increase in pension expenses compared with the previous year's level is due to the earnings-related smaller pension modules in the previous year, which were determined on the basis of the old calculation method.

Early termination of Board of Executive Directors' contracts

In the event of an effective recall of the appointment as board member, a member of the Board of Executive Directors receives, at the time of the termination, a severance payment of 1.5 times the fixed remuneration, however, up to a maximum amount of the total remuneration for the remaining period of the contract of service.

In the event of an early dissolution of a Board of Executive Directors' contract as the result of a takeover ("change of control"), the payment of the basic remuneration and bonuses outstanding until the end of the original term of appointment is made plus a compensatory payment if there is no reason that justifies a termination without notice of the contract of the person concerned. The bonus is calculated in accordance with the average of the preceding two years, plus a compensatory payment. The compensatory payment is 1.5 times the annual fixed remuneration. In the case of a change of control, each member of the Board of Executive Directors enjoys an extraordinary right of termination until the end of July 2011; the exercise of this right does not entail any claim to compensatory payment. In this case, there is only a claim to the payment of the basic remuneration and bonuses still due.

Miscellaneous

In the year under review, with regard to their activity as members of the Board of Executive Directors, the members were not promised or granted benefits by third parties. Apart from the service contracts mentioned, there are no contractual relationships between the Company or its Group companies with members of the Board of Executive Directors or persons closely related to them.

The total remuneration of the previous members of the Board of Executive Directors and their surviving dependants came to T€ 987.8 (previous year: T€ 2,288.7) during the year under review. The decrease in emoluments in comparison to the previous year is particularly the result of the exercise of stock options by the former chairman of the Board of Executive Directors in 2009 for the last time.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is regulated in Sec. 12 of the Articles of Association. A member of the Supervisory Board receives annual fixed remuneration of € 55,000 as well as annual variable remuneration, which is determined in the following way by the amount of the return on total investment achieved by the K+S Group in the respective financial year: The prerequisite for the claim to payment of variable remuneration is the achievement of a minimum return; this corresponds to 115% of capital costs before taxes of the K+S Group in the financial year concerned, on the achievement of the minimum return, a member of the Supervisory Board receives remuneration of € 15,000; for each percentage point by which the return on total investment exceeds the minimum return, a member of the Supervisory Board receives further variable remuneration of € 1,500. The variable remuneration is limited to a maximum amount of € 45,000 per year. The chairman of the Supervisory Board receives twice the amount and the deputy chairman one-and-a-half times the amount of the remunera-

tion. The members of the audit committee receive a further remuneration of € 7,500 per year. The chairman of this committee also receives twice the amount of this remuneration. The Company pays an attendance fee of € 500 to each member of the Supervisory Board for attending a meeting of the Supervisory Board or of a Supervisory Board committee to which they belong, but in the event of more than one meeting being attended on one day a maximum of € 1,000 per day will be paid. The members of the Supervisory Board are entitled to the reimbursement from the Company of any expenses necessary and reasonable for the performance of their duties. Furthermore, they are entitled to the reimbursement of any VAT to be paid as a consequence of their activities in the capacity of Supervisory Board members.

Details of the remuneration of the Supervisory Board for the 2010 financial year are provided in individualised form in the table below; the previous year's figures are stated in italics:

Remuneration of the Supervisory Board ¹⁾

| in € | Fixed remuneration | Variable remuneration | Audit committee | Attendance allowances | Total |
|---|----------------------------------|-----------------------|--------------------------------|--------------------------------|--------------------------------------|
| Dr. Ralf Bethke (Chairman) | 110,000 <i>110,000</i> | 39,000 – | 7,500 <i>7,500</i> | 6,000 <i>8,000</i> | 162,500 <i>125,500</i> |
| Michael Vassiliadis (Vice Chairman) | 82,500 <i>82,500</i> | 29,250 – | 7,500 <i>7,500</i> | 5,500 <i>7,000</i> | 124,750 <i>97,000</i> |
| Ralf Becker (since 1 August 2009) | 55,000 <i>22,917</i> | 19,500 – | | 3,000 <i>1,500</i> | 77,500 <i>24,417</i> |
| Jella S. Benner-Heinacher | 55,000 <i>55,000</i> | 19,500 – | | 3,000 <i>3,500</i> | 77,500 <i>58,500</i> |
| Dr. Uwe-Ernst Bufe (until 31 August 2009) | – <i>36,616</i> | – – | | – <i>2,500</i> | – <i>39,116</i> |
| George Cardona (since 9 October 2009) | 55,000 <i>12,658</i> | 19,500 – | | 3,000 <i>500</i> | 77,500 <i>13,158</i> |
| Harald Döll (since 1 August 2009) | 55,000 <i>22,917</i> | 19,500 – | | 3,000 <i>1,500</i> | 77,500 <i>24,417</i> |
| Dr. Rainer Gerling | 55,000 <i>55,000</i> | 19,500 – | | 3,000 <i>4,000</i> | 77,500 <i>59,000</i> |
| Rainer Grohe | 55,000 <i>55,000</i> | 19,500 – | | 3,500 <i>6,000</i> | 78,000 <i>61,000</i> |
| Dr. Karl Heidenreich | 55,000 <i>55,000</i> | 19,500 – | 7,500 <i>7,500</i> | 4,500 <i>4,500</i> | 86,500 <i>67,000</i> |
| Rüdiger Kienitz | 55,000 <i>55,000</i> | 19,500 – | | 3,000 <i>3,500</i> | 77,500 <i>58,500</i> |
| Klaus Krüger | 55,000 <i>55,000</i> | 19,500 – | 7,500 <i>7,500</i> | 6,000 <i>8,000</i> | 88,000 <i>70,500</i> |
| Dieter Kuhn | 55,000 <i>55,000</i> | 19,500 – | | 3,000 <i>4,000</i> | 77,500 <i>59,000</i> |
| Heinz-Gerd Kunaschewski (until 31 July 2009) | – <i>32,083</i> | – – | | – <i>2,000</i> | – <i>34,083</i> |
| Dr. Bernd Malmström | 55,000 <i>55,000</i> | 19,500 – | | 3,000 <i>3,500</i> | 77,500 <i>58,500</i> |
| Dr. Rudolf Müller | 55,000 <i>55,000</i> | 19,500 – | | 2,500 <i>3,000</i> | 77,000 <i>58,000</i> |
| Friedrich Nothhelfer (until 31 July 2009) | – <i>32,083</i> | – – | | – <i>3,000</i> | – <i>35,083</i> |
| Renato De Salvo | 55,000 <i>55,000</i> | 19,500 – | | 3,000 <i>4,000</i> | 77,500 <i>59,000</i> |
| Dr. Eckart Süner | 55,000 <i>55,000</i> | 19,500 – | 15,000 <i>15,000</i> | 4,500 <i>5,500</i> | 94,000 <i>75,500</i> |
| Total | 962,500 <i>956,774</i> | 341,250 – | 45,000 <i>45,000</i> | 59,500 <i>75,500</i> | 1,408,250 <i>1,077,274</i> |

¹⁾ Without reimbursement for the VAT to be paid by the members of the Supervisory Board as a consequence of their activities.

In addition to this, members of the Supervisory Board were reimbursed expenses totalling T€ 29.7 in 2010 (previous year: T€ 20.7).

In financial year 2010, no remuneration was paid for activities on the Supervisory Board of subsidiaries; neither were benefits for personally performed services, in particular consultancy or brokerage services, granted to the members of the Supervisory Board.

Information under Sec. 289 Para. 4 German Commercial Code (HGB)

Item 1: Composition of subscribed capital

The share capital amounts to € 191.4 million and is divided into 191,400,000 shares. The shares of the Company are no-par value bearer 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. No corresponding shareholder agreements are known to the Board of Executive Directors.

Item 3: Direct or indirect interests in the capital exceeding 10%

According to a notification in accordance with Sec. 21 of the German Securities Trading Act (WpHG), the Meritus Trust Company Limited, Bermuda, owns just under 15% of the shares via EuroChem Group SE and its attributable subsidiaries. Meritus manages the industrial shareholdings of Andrei Melnichenko on a fiduciary basis. BASF SE, Ludwigshafen, continues to hold just over 10 % of our shares.

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 the Board of Executive Directors are governed by Sec. 84 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 Art. 5 of the Articles of Association, the Board of Executive Directors of K+S Aktiengesellschaft comprises 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 chairman of the Board of Executive Directors. The Supervisory Board can rescind the appointment of a member of Board of Executive Directors or the appointment of chairman of the Board of Executive Directors for good cause.

Amendments to the Articles of Association can be resolved by the Annual General Meeting by a simple majority of the capital represented (Sec. 179 Para. 2 AktG in

connection with Art. 17 Para. 2 of the Articles of Association) unless the provisions of statute impose larger majority requirements.

Item 7: Board of Executive Directors' authorisations concerning the possibility of issuing or buying back shares

Authorised capital

The Board of Executive Directors is authorised, with the approval of the Supervisory Board, to increase the share capital of K+S Aktiengesellschaft on one or more occasions until 9 May 2011 against cash or in-kind contributions and by up to no more than € 56,100,000.00 in the aggregate through the issuance of no more than 56,100,000 new no-par value bearer shares (Authorised Capital). Existing shareholders essentially hold subscription rights in respect of such increase. The Board of Executive Directors may, with the approval of the Supervisory Board, exclude statutory subscription rights in the case of capital increases against cash contributions, if the capital increase does not exceed 10% of the share capital and the issue price of the newly created shares is not significantly lower than the relevant exchange price. In the case of capital increases against in-kind contributions, if the new shares are to be used for the acquisition of a company or an equity interest in a company, the Board of Executive Directors may, with the approval of the Supervisory Board, exclude the statutory subscription rights of shareholders by a total of up to € 41.25 million of the subscribed share capital. Furthermore, the Board of Executive Directors may, with the approval of the Supervisory Board, exclude the statutory subscription rights of shareholders with respect to fractional amounts arising from the subscription rights.

Purchase and use of own shares

The Board of Executive Directors is authorised to acquire own shares representing no more than 10% of the total number of 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 per share may not exceed or undercut the relevant exchange price by more than 10%, 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 may not exceed or undercut the relevant exchange price by more than 10 %, being the weighted average exchange price of the K+S share in the XETRA computerised trading system during the last ten exchange trading days immediately preceding the publication of the purchase offer.

The Board of Executive Directors is furthermore 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 Sec. 71 Para. 1 No. 8 AktG, on a stock exchange or by means of a public offer directed to all shareholders. In the following cases, the shares

may also be disposed of by other means and with the subscription rights of the shareholders excluded:

- Disposal against consideration comprising payment of a cash sum that does not significantly undercut the relevant exchange price;
- Issuance of shares as consideration for the purpose of acquiring companies, parts of companies or interests in companies;
- Servicing of convertible bonds and bonds with warrants, which have been issued on the basis of the authorisation of the Annual General Meeting.

The authorisation to exclude subscription rights applies in respect of all shares representing a proportionate amount of the share capital that is not greater than 10% of the share capital at the time of the adoption of the resolution or at the time of the exercising of the authorisation, depending on when the amount of the share capital is the smaller amount. The maximum limit of 10 % of the share capital is reduced by the proportionate amount of the share capital corresponding to those shares that are issued in connection with a capital increase from authorised capital or of conditional capital excluding subscription rights while this authorisation is in effect.

The Board of Executive Directors is finally authorised, with the approval of the Supervisory Board, to cancel shares in the Company which were acquired on the basis of an authorisation in accordance with Sec. 71 Para. 1 No. 8 AktG and with no additional resolution of the Annual General Meeting being required to effect such cancellation. The shares have to be cancelled in accordance with Sec. 237 Para. 3 No. 3 AktG without capital decrease in such a way that, as a result of the cancellation, the proportion of the remaining no-par value shares in the share capital is increased pursuant to Sec. 8 Para. 3 AktG.

The authorisations to purchase own shares as well as to dispose of and cancel them may be exercised in whole or in part each time and several times in the latter case.

Item 8: Significant agreements that apply in the event of a change of control resulting from a takeover bid

In 2010, K+S concluded a syndicated credit line in the amount of € 800 million. All bank advances made within the framework of the credit line will become due and payable immediately and the entire credit line become redeemable in accordance with the conditions set out in these agreements if one person acting alone or more persons acting in concert acquire control over K+S Aktiengesellschaft. Moreover, in 2009, K+S issued a bond in the amount of € 750 million. In the event of a change of control, the bond holders have the right to terminate debentures that have not yet been redeemed.

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 the K+S Aktiengesellschaft and are explained in detail in the Remuneration Report on

page 17. The stock option programme for the Board of Executive Directors and for senior management, for the last time granted in 2009, provides for a special time window for the exercise of all still outstanding options in the event of a change of control. The exact form of this programme, which is identical for the Board of Executive Directors and for senior management, is also explained in the Remuneration Report (see pages 13 et seqq.). The programme with a long-term incentive effect (LTI), introduced since 2010 for the Board of Executive Directors and for senior management, does not provide for any compensation agreements.

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

As the information provided for items 1 to 6 of Sec. 289 Para. 4 HGB speaks for itself, we limit ourselves here to providing the following explanations in accordance with Sec. 176 Para. 1 Sent. 1 AktG:

Item 7: Board of Executive Directors' authorisations concerning the possibility of issuing or buying back shares

As a result of the possibility granted to the Board of Executive Directors until 9 May 2011, with the approval of the Supervisory Board, to implement a capital increase with a limited exclusion of subscription rights (Authorised Capital), the Company gains a widespread tool with whose help opportunities to carry out acquisitions can be exploited quickly and flexibly. The Board of Executive Directors may only make use of this possibility if the value of the new shares is proportionate to the value of the corresponding consideration.

The other authorisation granted by the Annual General Meeting to the Board of Executive Directors to purchase shares of the Company to a limited extent is also a common instrument available in many companies. By being able to resell own shares, the Company is in a position to, for example, gain long-term investors in Germany and abroad or to finance acquisitions flexibly. The further existing possibility of cancelling own shares is also a common alternative use that lies in the interests 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

The provisions that credit agreements and bond conditions contain for the event of a change of control are customary for comparable transactions 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

The existing compensation agreements with the members of the Board of Executive Directors and the special time window of exercise governed by the share option programme for the Board of Executive Directors and senior management, which was for the last time granted in 2009, that would apply in the event of a takeover bid take

into appropriate consideration both the legitimate interests of those concerned and of the Company and its shareholders.

Enterprise Management

K+S Aktiengesellschaft acts as the parent company for the K+S Group. Key issues concerning the K+S Group therefore also have an indirect impact on K+S Aktiengesellschaft. Against this backdrop, the enterprise management of the K+S Group is presented below.

Internal corporate management system

The business segments and holding units of the K+S Group work together in a matrix organisation; the interests of the Group are always at the forefront. The matrix organisation supports the following goals:

- optimal use of opportunities and achievements of synergies along with a limitation of risks in the best way possible,
- optimal use of know-how available across the Group (“knowledge management”).

The K+S Group’s internal corporate management system mainly comprises the following components:

- regular meetings of the Board of Executive Directors held at two-week intervals,
- monthly rolling forecasts of earnings and liquidity for the current financial year as well as for the two subsequent years,
- monthly reports of the business segments,
- quarterly management dialogue between the Board of Executive Directors and the heads of the Potash and Magnesium Products, Nitrogen Fertilizers and Salt business segments
- commissions for capital expenditure, acquisitions/divestitures and personnel as well as groupwide committees such as the compliance committee, IT committee, marketing forum, committee for safety, health and environmental protection, etc.
- risk and opportunity management.

The K+S Group is managed through regular discussions between the Board of Executive Directors and the heads of business segments. In doing so, the corporate strategy is discussed and it is decided how it will be systematically implemented within the framework of annual and medium-term planning. To this end, targets are agreed between the Board of Executive Directors and the heads of business segments. The business segments report on a monthly basis about the development of key external early indicators and about internal corporate variables. The monitoring of a wide variety of external early indicators, such as the estimation of the market potential, forms the basis for our operating policy decisions, so that we can exploit our opportunities and prevent possible undesirable developments. As regards internal corporate variables, the focus is on commentation on current trends and target variances with respect to production, sales volumes, revenues, costs, earnings, personnel, capital expenditure as well as other financial indicators. On the basis of monthly rolling forecasts, information is provided

on the development of the projected earnings figures of the current year. The goal is to analyse changes in the most important income and cost elements of the income statement compared both with the estimate made in the preceding month and with the plan, in order to introduce corrective measures, if necessary. The development of liquidity is also shown by means of a monthly extrapolated cash flow statement. The basis for information is an electronic management information system (MIS).

Communication between the Board of Executive Directors and the heads of the Potash and Magnesium Products, Nitrogen Fertilizers and Salt business segments is institutionalised within the framework of quarterly management dialogues. At each of the four events, an overview of the respective current market situation and the rolling forecast is provided. Furthermore, the main focuses of goal achievement and strategy are also established during the course of the year.

To support the management, at regular intervals, groupwide committees discuss topics concerning, among others, personnel, compliance, information technology and marketing. Special commissions have been established for the auditing, assessment and approval of capital expenditure and acquisitions/divestitures; the assessment of projects is normally based on the discounted cash flow method. Finally, within the framework of acquisitions, special teams are formed in order to create the organisational prerequisites for rapid and effective integration.

The permanent integration of all corporate sectors into the internal corporate management system which comprises the internal risk and opportunity management ensures short response times to changes in all areas and at all decision-making levels within the K+S Group. In the event of significant changes of relevance to earnings within an area under examination, this is immediately reported to the senior management and to the Board of Executive Directors.

Research and Development

In principle, we pursue the following three goals with our research and development activities:

- Increasing customer benefit
- Conserving resources
- Securing the growth of the K+S Group

Against this backdrop, we focus our research and development activities on two main areas: the optimisation of processes and the development of new and improved products. The continuous review and further development of procedures and processes in underground and above-ground production is intended to ensure the sustainable use of the resources available to us and an efficient deployment of capital, energy and personnel. To this end, we evaluate new technologies and materials and operate a research institute of our own focussing on treatment, process technology and analytics.

Within the framework of developing new products and improving those we already offer, we are committed to practice-oriented research in the sphere of plant nutrition and to working out solutions in order to meet the higher demand for food and feed of a growing global population with changing eating habits, to secure yields in the face of climate change and to transfer knowledge to the less developed regions. Our agricultural application advice supports our customer, particularly in the use of our products worldwide.

Employees

As of 31 December 2010, the K+S Aktiengesellschaft employed a total of 567 people compared with 563 employees as of 31 December 2009, of which 14 (previous year: 16) were trainees.

Earnings, financial, and asset position

Earnings Position

At € 64.0 million, the revenues of K+S Aktiengesellschaft were at the same level as in the previous year (€ 64.5 million). While internal Group settlements of services to Group companies decreased, there were positive volume-related changes for the granulation of CATSAN®.

At € 344.5 million, earnings before income taxes were significantly above the previous year's value of € 44.5 million (€ +300.0 million). This was due to a significantly higher net income from investments of € 480.6 million (previous year: € 228.1 million). The net income from investments increased particularly as a result of the profit transfer of € 449.8 million resulting from the profit transfer agreement with K+S KALI GmbH. In the previous year, K+S KALI GmbH's contribution to earnings had been € 223.9 million. At € 49.5 million, the profit transfer of K+S Salz GmbH was below the level of the previous year (€ 59.4 million). Further investment income resulted from the profit transfers of Kali-Transport Gesellschaft mbH of € 10.9 million (previous year: € 7.4 million) and K+S Entsorgung GmbH with € 5.6 million (previous year: € 6.5 million). The profit transfer of K+S Nitrogen GmbH was € 32.9 million. In the previous year, expenditure for the assumption of losses amounting to € (112.1) million arose for this subsidiary. In the reporting year, net income from investments was negatively impacted by expenditure for the assumption of the loss of K+S Beteiligungs GmbH amounting to € (67.3) million.

In the previous year, the contribution to earnings had been € 1.8 million. The earnings after taxes of our Company increased to € 217.8 million and were therefore € 175.1 million above the previous year's amount (€ 42.8 million). The decline in net interest income from € (52.3) million to € (65.0) million is essentially due to higher interest expenses from a corporate bond. A lower interest level and reduced financial investment by Group companies in the K+S AG cash pool were unable to balance out this effect. In the previous year, in addition, the net interest income had been negatively influenced by the effects from a corporate bond and a syndicated loan.

Asset and financial position

Due to a capital increase in a subsidiary, fixed assets increased from € 2,280.0 million to € 2,308.7 million (€ +28.7 million) and have a 65% share in the balance sheet total which was up by € 276 million (previous year: 69%). As at 31 December 2010, we disclose a total of € 556.6 million (previous year: € 312.1 million) in balances with credit institutions. The higher balance compared with the previous year is essentially due to the positive course of business and the resultant investments of subsidiaries in the K+S AG cash pool. Liabilities towards credit institutions decreased from € 300.0 million in the previous year to € 0.7 million. This change of € (299.3) million is due to the repayment of a credit line. As at the reporting date, the liabilities from the cash pool are confronted with non-yet-cash profit transfers from subsidiaries. The majority of the liabilities have a maturity of up to one year. The equity ratio is now 39% (previous year: 37%). As a result of the positive course of business and the resultant higher earnings, as at the reporting date, we disclose provisions for taxes of € 49.4 million (previous year: € 1.3 million). "Other provisions" have a predominantly long-term character. The extraordinary result (€ (11.0) million) stems from the switch from accounting standards under German commercial law to the new regulations in accordance with the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG). In the financial year, the pension obligations and the provisions for semi-retirement were for the first time offset in accordance with the BilMoG regulations (Section 246 Para. 2 Sent. 2 German Commercial Code [HGB]) with the plan assets measured at fair value. Our Company is financed to a considerable extent from funds available on a long-term basis.

Bond

K+S Aktiengesellschaft placed its first bond on the capital market in September 2009. The bond has a volume of € 750 million and a term of five years. With an interest coupon of 5.0% p.a. and an issue price of 99.598%, the yield on issue was 5.093% p.a. The proceeds from the bond issue were used to finance part of the purchase price for the takeover of Morton Salt. The placing enabled the Company to create a balanced maturity structure of the outstanding financing instruments.

Key events

In 2010, the international fertilizer market was characterised by a strong increase in demand. This resulted in the utilisation of capacity of most potash producers again reaching a relatively high level during the course of the year against the backdrop of significantly declining inventories, so that K+S, also in light of a rising global market price level, was able to raise the prices for granulated potassium chloride in Europe in the course of the year from € 285 to € 335 per tonne. The European production facilities for nitrogen fertilizers were already operating at high capacity in the first half of the year and, in the second half, even at full capacity. The prices for nitrogen fertilizers rose significantly in view of increasing input costs.

Sales volumes of de-icing salt largely depend on winter weather conditions during the first and fourth quarters. Against this backdrop, the positive de-icing salt business in Europe, which was above the multi-year average in terms of sales volumes, resulted in a significant increase in revenues and earnings in the Salt business segment.

Risk Report

The relevant risks of K+S Aktiengesellschaft do not result from operating activities. However, risks may arise from holding equity interests. A potential loss event in the equity interests of K+S Aktiengesellschaft could have a direct or indirect effect on the financial position, net assets and results of operations of K+S Aktiengesellschaft.

Risk policy

The business policy of the K+S Group is geared towards securing the existence of the Company, sustainably generating risk-adequate returns as well as systematically and continuously increasing enterprise value. To achieve this objective, our global activities require a permanent, responsible consideration of opportunities and risks. We define risks as the possible occurrence of internal and external events, which may adversely affect the achievement of both our short-term and our strategic goals. Systematic risk management is an ongoing task for the Board of Executive Directors and for managers in their respective fields of responsibility. Over the long term, we can only be successful if we take opportunities and identify risks at an early stage, analyse them and correspondingly manage and monitor them. Taking account of the overall circumstances, we decide the extent to which risks are incurred, so that we can use opportunities. However, even an appropriate and functioning risk management system cannot guarantee any absolute certainty.

Opportunity management

Opportunity and risk management are closely interlinked within the K+S Group. Chances are internal and external developments, which may have a positive impact on the Group. We essentially derive our opportunity management from the goals and strategies of our business segments and ensure a balanced relationship between opportunity and risk. Direct responsibility for the early and regular identification, analysis and use of opportunities rests with the operational management of the business segments and/or the heads of the central holding units. Opportunity management is an integral part of the groupwide planning and controlling systems. We occupy ourselves intensively with analyses of markets and competition, market scenarios, relevant cost drivers and critical success factors, including those in the political environment in which the Company operates. This serves as the basis for identifying concrete opportunity potentials that are specific to business segments and which are then discussed within the framework of the goal-setting talks held between the Board of Executive Directors and the managers responsible for the business segments. Selected opportunity potentials for the K+S Group are discussed in the forecast report.

Risk management system

The business segments of the K+S Group have different opportunities and risks and to identify them in good time as well as to assess and limit these, we use our uniform planning, management and control systems. The methods used to determine risks extend from analyses of markets and competition through close contacts with customers, suppliers and institutions to observing risk indicators in an economic and socio-political environment. Risks are assessed particularly with regard to the likelihood of materialisation and to potential loss levels. A further building block of risk management is the development of countermeasures taking account of alternative risk scenarios. In this way, we endeavour to systematically counteract risks.

The Board of Executive Directors has defined groupwide principles and rules of behaviour as well as guidelines for systematic and effective risk management. The risk management system consists of the following elements:

- a company-specific handbook on risk management,
- a risk management holding unit,
- persons responsible for risk management in the business segments,
- standardised risk profiles specific to business segments,
- information about the complete quantified risk situation in goal-setting talks held between the Board of Executive Directors and the managers responsible for the business segments,
- regular, uniform risk reporting at Group and business segment level as well as immediate reporting in urgent cases.

Competences and responsibilities both in the process of risk identification and with regard to the analysis, management and communication of identified risks are regulated in an unambiguous manner. Thus, directly responsibility for dealing with risks rests with the operational management of the business segments and/or the heads of the central holding units. The risks of the individual business segments and the holding unit are identified on a quarterly basis, and potential risks are analysed, quantitatively assessed and reported to the Board of Executive Directors. If a risk can be reliably held in check by effective and appropriate measures, the focus of consideration will be on the residual risk. We are particularly monitoring risks whose likelihood of materialisation is 5% or more and whose damage potential at the same time exceeds business-segment-related limits. The risk profiles relate both to the current year and to medium-term planning and thus cover a period of three years. Expected risks with a likelihood of materialisation of 50% and more are taken account of in medium-term planning and extrapolation to a year in the form of deductions from earnings. Risks that arise in the short term are, if urgent, immediately communicated directly to the Board of Executive Directors outside normal reporting channels. The Supervisory Board is briefed by the Board of Executive Directors in just as regular and timely a manner, and immediately informed in especially urgent cases. In accordance with groupwide rules, transactions and measures of particular importance and scope require the approval of the Board of Executive Directors and, in special cases, of the Supervisory Board too.

The proper functioning of the risk management system of the K+S Group is regularly reviewed by the internal audit department. Furthermore, the functionality and effectiveness of the risk early detection system is also reviewed by our external auditor; thereafter the existing system is suitable for the early detection of such developments that could jeopardise the continued existence of the Company.

Risk management in relation to financial instruments

The financial objective of the K+S Group is to limit financial risks (e.g. price change risk, risk of default and liquidity risk) through systematic financial management. To this end, centralised financing management has been established in K+S Aktiengesellschaft. Furthermore, the K+S Group manages its capital structure and, if necessary, makes adjustments, taking into consideration the expected economic framework conditions. The aim of the Group's capital structure management is to sustainably secure the business and ability to invest of the Company.

Our international activities can give rise to currency-related market price risks, which we counteract under our currency management system by hedging transactions. Internal procedure instructions regulate permitted hedging instruments as well as hedging strategies, responsibilities, processes and control mechanisms. Other market price risks may result from raw material prices (e.g. energy) and transport costs (e.g. sea freight). To the extent that derivatives are used selectively for this, analogous rules apply. The hedging instruments are used exclusively to secure hedged items, and not for trading or speculation. Financial transactions are only concluded with banks that have a high credit rating. In this connection, in order to limit the risk of default, the guideline stipu-

lates, among other things, that derivatives should be distributed across various banking institutions. Hedging transactions are entered into either in the case of already existing hedged items or future hedged items, which can be anticipated with a high level of probability on the basis of empirically reliable findings (forecast hedges). A more detailed explanation of hedging transactions can be found in the presentation of risks arising from exchange rate fluctuations on pages 45 et seq.

Description of the key features of the internal control and risk management system with regard to the Group accounting process (Sec. 289 Para. 5 of the German Commercial Code – HGB)

The internal control system in K+S Aktiengesellschaft encompasses the principles, procedures and measures designed to ensure the effectiveness, economy and adequacy of accounting procedures as well as to secure compliance with the relevant regulations.

The accounting and valuation methods for the individual financial statements of K+S Aktiengesellschaft and its domestic subsidiaries in accordance with commercial law and supplementary provisions are documented in guidelines and accounting instructions.

New provisions and amendments to existing regulations for the accounting are analysed on a timely basis for their effects and are, to the extent that these are relevant to us, implemented into the guidelines and accounting processes.

We have a largely uniform IT system, a uniform chart of accounts and automatically standardised accounting policy processes.

As a result of this standardisation, uniform, proper and timely reporting of key business transactions is ensured. Binding regulations apply to the additional manual recognition of accounting transactions.

Valuations on the balance sheet, such as the calculation of the mining obligations or the impairment test of carrying amounts of equity interests are made by internal experts. Only in individual cases, such as with regard to the assessment of pension obligations, the valuation is carried out by external experts.

Process-integrated and process-independent monitoring measures are the cornerstones of the internal monitoring system. Automatic IT process controls are a key element of the process-integrated measures. In addition to manual process controls such as, for example, the “four-eye principle,” there is an organisational separation of administrative, executive, settlement and approval functions. Further monitoring tasks are performed by specific Group functions.

The internal audit is integrated into the internal control system with process-independent audit functions.

The annual financial statements are audited by independent auditors and constitute the main process-independent monitoring measures in relation to the accounting process.

Overview of corporate risks

The risks that may affect K+S Aktiengesellschaft via the subsidiaries are presented below:

Material risks are described in the following sections, but no conclusions should be drawn from their sequence regarding their likelihood of materialisation or the potential extent of losses. In doing so, the possible materialisation and the effect of risks following counter-measures under the current framework conditions are appraised; this is based on a Group perspective and relates to the period of medium-term planning.

The assessment of the likelihood of a risk materialising is based on the criteria

- unlikely (likelihood of materialisation: < 5%)
- possible (likelihood of materialisation: 5-50%)
- likely (likelihood of materialisation: > 50%)

The assessment of the possible effect is based on the qualitative criteria

- moderate
- significant
- jeopardising the continued existence of the Company

A change in the framework conditions in comparison to our medium-term planning may result in a reassessment of our estimates in the course of time and is communicated correspondingly in our interim reporting.

MANAGEMENT REPORT OF THE K+S AKTIENGESELLSCHAFT

| | Likelihood of materialisation | Possible financial effects |
|---|----------------------------------|-------------------------------|
| External and sector-specific risks | | |
| Effects of macroeconomic trends | Possible | Significant |
| Fluctuations in demand and price | Possible | Significant |
| Seasonal fluctuations in demand | Possible | Moderate |
| Effects of political and social changes | Unlikely | Significant |
| Changes in the legal environment | | |
| Risks arising from the change or refusal of official approvals | Possible | Significant |
| Risks arising from the change in workplace limits | Possible | Moderate |
| Risks arising from the reduction in anti-dumping protection | Possible | Moderate |
| Tax law risks | Possible | Moderate |
| Operational and strategic risks | | |
| Risks arising from acquisitions and investments | Unlikely | Significant |
| Risks arising from loss of suppliers and supply bottlenecks | Unlikely | Moderate |
| Risks arising from energy costs and energy supply | Possible | Moderate |
| Risks arising from the price increase in ammonia | Possible | Moderate |
| Risks arising from freight costs and availability of transport capacity | Possible | Moderate |
| Production risks | Possible | Moderate |
| Risks arising from environmental damage due to rock bursts | Unlikely | Significant |
| Risks arising from carbon dioxide pockets in deposits | Possible | Moderate |
| Risks arising from water ingress | Unlikely | Significant |
| Risks arising from research and development activities | Unlikely | Moderate |
| Personnel risks | Unlikely | Moderate |
| Compliance risks | Unlikely | Significant |
| IT risks | Unlikely | Moderate |
| Financial risks | | |
| Risks due to exchange rate fluctuations | Possible | Moderate |
| Risks arising from a change in the general interest rate level | Possible | Moderate |
| Risks arising from the default of payment by customers and the risk of financial institutions failing | Unlikely | Moderate |
| Liquidity risks | Unlikely | Significant |
| Risks arising from a change in the Company rating | Unlikely | Moderate |

External and sector-specific risks

Effects of macroeconomic trends

The behaviour of demand for fertilizers of the K+S Group is considerably influenced by general economic growth as well as economic trends and the associated improving living standards in relevant markets. Greater prosperity, mainly in the emerging market countries, results in changes in eating habits, which are particularly reflected in the greater consumption of meat. As the production of meat requires many times more cereals, soy beans and other products used as animal feed, this results in a greater need for agricultural raw materials (soft commodities), which in turn creates a higher demand for fertilizers.

The significant global economic recovery in 2010 should also continue in 2011, although the pace of growth may be somewhat more moderate. The sharp increase in cereal prices that started in the second half of 2010 and the accompanying improved income situation of farmers benefits demand for fertilizers. If the economic recovery does not prove to be sustained, the prices for agricultural products could again fall to a level that triggers a new wave of uncertainty among farmers regarding their future yield situation and thus has an adverse effect on their demand behaviour in relation to fertilizers. Depending on its duration and intensity, this possible scenario could have an important influence on the net assets, financial position and results of operations of the K+S Group.

By contrast, the impact of the general economic situation on the demand for de-icing, food grade and industrial salts is of minor importance, since the business is largely independent of economic conditions.

Fluctuations in demand and price

The products of our Fertilizers business sector in particular can face considerable fluctuations in demand and price. As a result of external influences, whose occurrence or non-occurrence we cannot normally influence, the demand for our products may decline sharply in the relevant sales markets and lead to pressure on price levels. These factors include, for example, global or regional swings in the economic cycle, sliding global prices of important agricultural products, the market entry of new suppliers, a concentration on the demand side as well as deliberate buying restraint on the part of our customers.

These possible events may, depending on their duration and intensity, have a material impact on the net assets, financial position and results of operations of the K+S Group. As the demand for agricultural products and thus for fertilizers 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, and as fertilizers, which increase yields and enhance quality, thus play an important role in agricultural production, we, however, see potential for a positive development in the long term.

The entry of new competitors into the international potash market could result in a tangible shift in the structure of the sector. Mining groups with a strong capital base,

such as BHP Billiton and Vale, have announced that they will invest in new potash projects in the medium to long term. An aggressive expansion of new potash capacities by a producer that has, until now, operated outside the sector could bring about an increase of competitive pressure if the market is not able to absorb these additional volumes completely or if the new competitor attempts to establish himself on the market by means of an aggressive pricing policy. However, as both the creation of new potash capacities as well as the acquisition of a significant potash producer are very capital intensive, such a squeezing-out policy, if at all, might only be short-lived due to the resultant high costs of capital. Against this backdrop, we regard a permanent aggressive pricing policy of market participants, which would have a material impact on our expected results, as unlikely.

Seasonal fluctuations in demand

A significant sales risk for the Potash and Magnesium Products, Nitrogen Fertilizers and Salt business segments results in particular from the seasonality of demand, especially due to the dependence on weather conditions. Prolonged cold and wet weather during the spring season, which is particularly important for Europe, can result, for example, in sales shifts or even lower sales volumes of fertilizers and plant care products. Likewise, mild winters may considerably reduce the sale volumes of de-icing salt in the main sales regions (Europe, North America) for this product group. We are responding to this volatility in the form of regional diversification, needs-based production management and flexible working hour models. We have not used special derivatives to hedge this risk thus far because we consider the market terms for these instruments unattractive. We consider corresponding adverse effects resulting from the influence of the weather possible, but we assess the effect in relation to the expected results as moderate.

Furthermore, the building up and destocking of inventories by our customers, depending on their expectations regarding future market price trends, the weather or their liquidity management, result in fluctuations in demand. This can lead to an under-utilisation of production capacity and thus to rising unit costs. The readiness of the trade sector to early stock up with fertilizers depends on its expectations regarding demand on the part of farmers. K+S offers, e.g. via a graduated price system, financial incentives in order to promote the readiness to stock up. Nevertheless, it cannot be ruled out that the trade sector will choose not to early stock up in times of high market fluctuations. As a result of this, during the main fertilizing season, we might be faced with such high volume requirements that on the one hand the stocks in our depots might not be sufficient or, on the other, the requirements might not be able to be fully covered due to logistical bottlenecks. The same is true for salt if towns and cities, communities and road maintenance depots – also in view of public authority budgets – build up insufficient de-icing salt inventories off-season. Such possible effects may have a moderate impact on the net assets, financial position and results of operations of the K+S Group as well as making it more difficult to compare the quarterly financial statements.

Effects of political and social changes

We carry out our business activities in numerous countries, quite a number of which are located outside Western Europe and North America. Far-reaching changes in political, social and economic framework conditions in production and sales countries as well as in the countries where suppliers are based cannot be ruled out. In some of the countries in which our products are manufactured or into which they are exported or from which we obtain raw materials or supplies, the general economic, political and legal conditions are less stable than, for example, in Western Europe or North America. Thus, we are dependent on a series of factors on which we have little or no influence at all. These factors include, for example, political instability, the expropriation of company assets without compensation, regulations on foreign currency control and other negative effects in relation to foreign exchange rates as well as restrictions on trade. Such negative factors could have a material effect on the growth prospects and on the net assets, financial position and results of operations of the K+S Group, but are currently unlikely in the countries relevant to K+S in relation to production and sales.

Changes in the legal environment

Risks arising from the change or refusal of official approvals

Disposal of saline waste water

Public and political debate about future higher requirements of environmental friendliness of the production processes for potash and magnesium products may impact on the issuing and retaining of operating licences, planning decisions approving public works and water law permits. In the Potash and Magnesium Products business segment, among others, liquid residues (saline waste water) arise from both current production and through rainfall on the tailing piles. On the basis of existing permits, some of the saline waste water is discharged into rivers, while others are injected into underground layers of rock (plate dolomite). Establishing a significant reduction in the injection possibilities anticipated up to now, or the premature complete utilization of approved injection areas, as well as finding that injection might have an impact on drinking water or usable ground water resources, could make an unchanged extension of existing injection permits appear unlikely and could entail a partial or even entire withdrawal of injection approvals for the disposal of liquid residues. Furthermore, we assume that the currently approved thresholds for the discharge of the saline waste water into surface waters may be lowered for future discharge permits. Extensions of existing injection and discharge permits or their renewed granting can therefore lead to material additional costs for a pre-treatment of production residues (e.g. through evaporation) or to considerable decreases in production at the sites affected. We consider it possible that expiring permits will not be extended or not granted again; in the worst case, this could result in a reduction or even cessation of production and possibly the closure of the sites concerned, with considerable negative staffing consequences. This would result in a lasting and substantial adverse effect on the net assets, financial position and results of operations of the K+S Group.

For the Hattorf, Unterbreizbach and Wintershall sites located on the Werra, whose share of the total potash production capacity of the K+S Group amounts to about 45%,

the existing injection and discharge permits are limited to November 2011 and December 2012, respectively. Already in October 2008, we presented a comprehensive package of measures which should, with an investment volume of € 360 million, considerably further reduce the injections and the discharges of saline waste water by 2015. In addition, a public law agreement was concluded with the states of Hesse and Thuringia, in which the parties to the agreement jointly committed themselves to sustainable economic action, securing jobs and treating nature with the utmost respect for the next 30 years. However, there can be no assurance, that the permits will be extended or newly granted on this basis. Therefore, the possibility cannot be ruled out that further investments in these sites may become necessary, that production costs may continue to rise, and that under certain circumstances even the closure of these production sites may be required. The reduction of solid and liquid production residues from potash production will continue to be among the focal points of our research and development.

Between March 2008 and February 2010, at the Round Table on Water Protection Werra/Weser and Potash Production, on the initiative of the states of Hesse and Thuringia and of K+S, Werra residents, representatives from business, politics and administration as well as professional associations discussed long-term solutions for improving water quality. The task faced by participants in the Round Table: Proposing solutions which at the same time further improve the ecological condition of the Werra and Weser, make a contribution to securing jobs in the potash industry and strengthen the economic structures in the regions concerned. The participants at the Round Table have in total met 16 times and examined a large number of measures for dealing with saline waste waters. Moreover, external proposals were assessed and a series of expert opinions commissioned.

In a final meeting held on 9 February 2010, the Round Table recommended that, starting from 2020 at the latest, the discharge of saline waste water into the Werra and its injection underground be completely discontinued and a pipeline to the North Sea be implemented. However, it did not provide an answer to the question of how this should be achieved by 2020 on the basis of the decision-making criteria jointly defined with the states of Hesse and Thuringia and accepted at the Round Table. For example, the decision of the Lower Saxony state parliament against the construction of a pipeline is not taken into consideration, and issues of economic appropriateness and the ability of the pipeline to be financed are excluded. Furthermore, it remains open to which extent the objectives of the EU Water Framework Directive can be achieved through the construction of a pipeline. Therefore, K+S did not agree to the Round Table's recommendation.

As the permanent local disposal is being called into question by some parties, a long-term approval of the present concept is not regarded as certain. This is why K+S, in order to demonstrate forward-looking due diligence, parallel to the implementation of the local measures, has decided to also prepare applications for approval of remote means of disposal, i.e. pipelines to the Oberweser and to the North Sea. This is being

done regardless of the fact that the test criteria for pipelines defined with the federal states of Hesse and Thuringia and agreed on by the Round Table are not currently fulfilled in the view of the Company. However, this has to be the case before any decision on the construction of a pipeline can be made. Such a decision is therefore not related to the preparation of the applications.

The Neuhof-Ellers potash plant had to stop injecting saline waste water into the plate dolomite layer after the injection area was fully utilised. In order to ensure the proper disposal of the tailing piles water arising there, in accordance with the valid approvals, saline waste water is transported by rail and truck to the nearest site, the Werra plant, until the completion of the planning approval for the salt waste water pipeline which was applied for in mid-2010.

Disposal of solid production residues

At the exploitation sites of the Potash and Magnesium business segment solid residues are currently heaped up within the framework of existing approvals. If approvals for residues heaped up are revoked or necessary projects for the expansion of tailing piles are not approved, or only approved subject to unreasonably high requirements, there is no possibility for these residues to be disposed of. The alternative, transporting the residues to the existing caverns as prewetted backfill, is only possible to a limited extent. In the longer term, there are physical limits to how much backfill can be disposed of in this way, since only a far lower density is achieved than that of crude salt in the deposit. Furthermore, the high additional costs result in an economically unjustifiable relationship to expenditure. We assess possible effects on the net assets, financial position and results of operations of the K+S Group as significant.

Tailing piles expansion

On 18 November 2009, the administrative court of Hanover upheld the complaints of the BUND für Umwelt und Naturschutz Deutschland e.V. (BUND) and the Naturschutzbund Deutschland e.V. (NABU) and set aside the planning approval decision of the Landesamt für Bergbau, Energie und Geologie Lower Saxony (LBEG) of 10 August 2007 as well as the modification decision of 13 March 2009 on the expansion of the tailing pile of the Sigmundshall plant. In the planning approval decision, the covering of the pile was a prerequisite for the expansion of the heaped production residues. The judgements of the administrative court relate exclusively to the type of pile covering planned by K+S, whose suitability for an independent greening of the pile that would be secure in the long term was called into question. The further heaping of residues from potash processing was not regarded as impermissible by the administrative court. The relevant mining authority has appealed against the two judgements, and K+S Kali GmbH will support them in further proceedings. Currently, in the short term, no restrictions arise for the operation of the Sigmundshall potash plant. At present, long-term effects cannot yet be assessed. In the medium term, we assess possible effects on the net assets, financial position and results of operations of the K+S Group as moderate.

Collateral securities

The requirement for insolvency-proof collateral securities for the “infinity costs” of maintaining tailing piles and for the Company’s own landfill sites cannot be ruled out for the future. Already today, the necessary expenditure for the systematic maintenance of tailing piles is being provided for in the balance sheet via provisions. If in addition to the creation of provisions collateral securities would have to be deposited, funds would be tied up, which could limit the financial leeway of the Company. For the medium term, we assess possible effects on the net assets, financial position and results of operations of the K+S Group as moderate.

Risks arising from the change in workplace limits

The EU initiative on setting indicative workplace limits for nitrogen monoxide (NO), nitrogen dioxide (NO₂) and carbon monoxide (CO) could pose a risk to our mining activities, since such thresholds can be of considerable importance in the granting of permits for mining activities and thus for underground production. It should be possible to achieve realistic limits meaningful over the long term through intensive cooperation between the EU Commission and national governments as well as the companies concerned and their pressure groups. If thresholds were lowered significantly, substantial capital expenditure in order to comply with the thresholds could become necessary. If the workplace limits become so stringent that production at the sites concerned in compliance with these limits were no longer possible at justifiable expense or overall technically, this might even compel us to close these sites in the long term. In the medium term, adverse effects are possible, but we currently consider them to be moderate.

Risks arising from the reduction in anti-dumping protection

In the fertilizer business, the K+S Group also competes with producers from Russia and Belarus, which are either state-owned, receive considerable subsidies such as cheaper supplies of gas or subsidised rail transport or otherwise, directly or indirectly, enjoy the benefits of state financial support. These competitors can therefore offer their products on better terms than those manufacturers that do not receive comparable state support. In 2006, the regulations on anti-dumping protection against unfair competition with potash fertilizers from Russia and Belarus for the European market were updated until the middle of 2011; a further extension is being aimed at. After the competitive pressure in the EU in the years up to 2008 was limited as a result of the high demand for potash on the global potash market and of the significant price increases that occurred in the meantime, the change in the market situation in financial year 2009 resulted in an increase in competitive pressure in Europe, including from the countries mentioned. A further intensification of competitive pressure could result in us having to market a greater proportion of our products overseas. However, there can be no guarantee that the declines in sales volumes in Europe can be compensated for by increases in overseas sales volumes. The damage potential of future softening or expiring of anti-dumping measures depends on our success in overseas sales volumes and the respective cost and price situation. Against the backdrop of the current price level

on the global markets, the possible risk that the European anti-dumping regulations are being softened or cease to apply is regarded as moderate.

Tax law risks

In the area of energy taxes, the subsidiaries of the K+S Group in Germany that are classified as energy-intensive can currently make use of the so-called compensation for peak load. The relevant regulations were approved by the EU Commission until 2012 and grant companies in the manufacturing sector energy and power tax relief for certain energy products and electricity, which they use for commercial purposes. Within the framework of the German law on budgetary consolidation, this peak load was lowered slightly with effect from 2011. This results in our energy-intensive production in Germany becoming slightly more expensive. A follow-on regulation starting from 2013 is already being initially considered at the political level. We are taking an active part in this discussion in order to achieve the continued existence of this or a comparable follow-on regulation. A complete abandonment of the peak load is possible and would, in comparison to the legal situation that still existed in 2010 result in additional energy tax burdens and to competitive disadvantages for our energy-intensive German companies, a risk we, however, assess as moderate.

Operational and strategic risks

Risks arising from acquisitions and investments

Our vision and mission provide the framework for our business activities and for the strategic orientation of the K+S Group and aim to explain to our employees, shareholders, lenders, customers, suppliers and the public the basis for our thinking and actions. To that end, the Board of Executive Directors, together with the heads of the business segments, regularly discuss the strategic orientation with its opportunities and risks.

Opportunities, but also risks arise from the expansion of our business activities through acquisitions. Across the Group, we make ambitious demands related to returns in every acquisition and expansion investment. K+S is monitoring the market environment in relation to appropriate acquisition projects or cooperations. When it appears advantageous from a strategic perspective, we acquire or sell companies or parts of companies. Company valuations incorporating the findings of due diligence procedures and further analyses are of central importance in this respect. Once made, acquisitions are intensively accompanied by integration teams. In addition, follow-up checks are carried out in the case of important investment and acquisition projects. Risks may arise from the integration of employees, processes, technologies and products. Unexpectedly high integration costs may jeopardise the achievement of planned goals and synergies. Moreover, acquisitions may negatively impact the level of indebtedness and the financing structure and result in an increase in non-current assets, including goodwill. Write-downs on such assets due to unforeseen business developments may result in negative effects.

The K+S Group is currently completely taking over the Canadian company Potash One. Potash One holds several potash exploration licenses in the Canadian province of Sas-

katchewan including an already advanced greenfield project for the construction of a potash solution plant. K+S expects a production capacity of at least 2.7 million tonnes of potassium chloride per year when the legacy project has been fully developed. The implementation of this production capacity would involve an investment volume in Saskatchewan totalling about US\$ 2.5 billion. The company will be based in Saskatchewan, Canada. All assumptions and estimates made within the framework of the project are subject to potential business, economic, political and social uncertainties. The current risk consists in the fact that the expectations could not be fulfilled, although in advance of the takeover a intensive due diligence was carried out and the geological, technical, legal and financial framework conditions were examined. Factors, which could result in serious effects, would be e.g. unexpected geological faults, technical difficulties in developing the deposit, and changes in the local legislation, approvals and regulations. The above-mentioned factors could, under certain circumstances, result in a need to recognise an impairment charge in relation to the acquired assets and have a material effect on the net assets, financial position and results of operations, but are currently unlikely. Further information about the acquisition of Potash One can be found in the Subsequent Events section on pages 49 et seq.

In the event of future acquisitions, cooperations and investments, the risk exists that, due to political restrictions, they might only be able to be carried out under more difficult conditions or not at all. This could affect attractive raw material deposits in certain politically unstable regions. A resultant lack of suitable acquisition objects could have a significant adverse effect on the growth prospects of the K+S Group. Suitable partners could reduce these risks or improve our opportunities. We regard material adverse effects here as unlikely.

Risks arising from loss of suppliers and supply bottlenecks

The number of suppliers for raw materials and consumables such as ammonia (see following explanations regarding the price risk from the price increase of ammonia), phosphates, explosives, low-sulphur diesel fuel as well as the necessary technical equipment including spare parts, which we obtain from external suppliers, is limited. Supplier boycotts, supply bottlenecks or the loss of suppliers, on which we only have an influence to a very limited extent or not 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 considerable increase in costs or to adverse effects in production. We reduce such procurement risks with market analyses, the careful selection or appraisal of suppliers, long-term delivery agreements, clearly defined quality standards as well as up-to-date purchasing methods. A remaining procurement risk could have moderate effects on the net assets, financial position and results of operations. However, we regard the occurrence of losses as unlikely.

Risks arising from energy costs and energy supply

The energy costs of the K+S Group (2010: € 265.8 million) are determined in particular by the consumption of natural gas. This applies to various degrees to all business segments. Energy prices are frequently subject to sharp fluctuations. Significant energy

price rises in comparison to the current price level cannot be ruled out in the future. To limit this risk, the need for natural gas for our potash and salt production is constantly being reduced through the use of steam from substitute fuel heating plants. The price risk for obtaining natural gas is furthermore diminished by the following instruments: In addition to the targeted use of fixed-price agreements (e.g. contractual securing of natural gas prices for up to two years in the case of Morton Salt), we have also agreed energy supply contracts with time delay clauses with some suppliers. Hedging transactions are used selectively in order to cover the remaining risk. There is no assurance that we will be able to completely hedge ourselves against price fluctuations for energy sources or to pass energy cost increases onto our customers. Furthermore, we depend on the reliability of the energy supplies, so that, if the supply of gas is interrupted briefly, there are risks for the security of supply. We regard risks arising from energy costs and energy supply, which could have a moderate impact on the net assets, financial position and results of operations, as possible.

Risks arising from the price increase in ammonia

The production costs of the nitrogenous and phosphate-containing fertilizers produced for us by BASF are to a great extent determined by global market prices for ammonia and phosphate. If the competitive environment becomes more difficult, it may not always be possible in the case of nitrogen fertilizers to pass on cost increases in their full scope via prices. However, the resulting possible risk for K+S is classified as moderate.

Risks arising from freight costs and availability of transport capacity

The total costs of the K+S Group are influenced by freight costs to a not inconsiderable degree (2010: € 790.0 million). While the products of our Potash and Magnesium Products business segment are extracted from our six mines in Germany, last year, we achieved 40% of revenues in Europe outside Germany and 45% overseas. In the Salt business segment we have production sites in Europe, North and South America. A characteristic feature of our business activity is the, in some cases, large transport distance that our products have to cover with simultaneously high transport volumes. A reduced availability of freight capacity could result in higher costs for transportation. Furthermore, considerable additional costs arise in the event of increasing mineral oil prices. There can be no assurance that increasing transport costs can always be passed onto customers. By means of the long-term securing of freight capacity with a high fixed-price proportion and the use of low-cost container transport, we counteract such developments; in addition, hedging transactions are also employed selectively to limit the effects of price fluctuations. The high level of transport intensity of our business operations moreover makes us substantially dependent on infrastructure facilities such as ports, roads and loading stations. A failure or a bottleneck could restrict the production and sales possibilities. We consider corresponding adverse effects from rising freight costs or the limited availability of transport capacity to be possible, but we regard the effect in relation to the expected results as moderate.

Production risks

The production facilities of the K+S Group, which are used, for example, for mining activities, the processing of raw materials and the storage of hazardous materials, are characterised by a high level of performance. 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 and impacts on the environment arise. By employing wide-ranging monitoring, probing and control systems, we intend to identify possible production risks early on and respond accordingly. Risks are reduced thanks to a number of quality assurance measures, preventative maintenance and constant facility inspections. This is also assisted by certification under international norms and the constant further development of our facilities and products. We have taken out corresponding insurance against fire damage and the resultant production stoppages as well as for other interruptions of operations. Given our preventative measures, we consider the remaining possible production risks to be moderate.

Risks arising from environmental damage due to rock burst

Our mining activities involve the risk, specific to mining, of a suddenly occurring subsidence of the earth's surface over a large area that is, under certain circumstances, powerful (rock burst). If this occurs, it could result, in addition to the partial or complete loss of the mine and damage to equipment, also in considerable damage to the property of third parties as well as personal injury or death. Our professional dimensioning of the salt pillars in the mine works based on comprehensive research works contributes to securing the earth's surface, to stability that is secure in the long term, and thus to preventing such rock bursts. A constant monitoring of the mine works supplies, if necessary, timely indications of whether additional measures for the protection of the mine works and the prevention of damage resulting from mining are necessary. Such negative factors would have a considerable impact on the net assets, financial position and results of operations of the K+S Group, but are nevertheless unlikely.

Risks arising from carbon dioxide pockets in deposits

Carbon dioxide pockets in certain mines constitute a latent potential danger. If carbon dioxide from these pockets were to escape in an uncontrolled manner, the K+S Group could be held liable for damages or injuries associated with this, suffer damage to its own equipment and be exposed to cuts in or losses of production. To keep any impact on people, machinery and deposits as low as possible, extraction operations underground are always conducted in compliance with the special safety guidelines applicable to potential CO₂ leaks. We regard the possible damage potential as moderate.

Risks arising from water ingress

Hydrogeological risks generally exist in underground mines, which, if not controlled, could cause a significant damage potential. To secure mines, extensive exploration occurs by means of seismology, drilling and ground-penetrating radar. The maintenance of protective layers against water-bearing rock and the size of the safety pillars ensure the greatest possible safety in a mine. Constant scheduled maintenance activi-

ties ensure that the risk of ground water flowing over a shaft extension can virtually be ruled out. Because the top of a shaft is in a high position, surface water is not expected to gain access to the mine complex even if flooding occurs. On the basis of our extensive precautionary measures we consider that risk to be unlikely.

Risks arising from research and development activities

The markets relevant to us are only subject to technological change to a limited degree. We have intensified our own development activities through research cooperation with industrial partners as well as colleges. Thus, technical possibilities for optimising production processes are being examined on an ongoing basis. The reduction of solid and liquid production residues in potash production as well as opportunities to cut costs stand at the forefront. In addition, we provide our agricultural customers with intensive application advice, which enables us to identify future needs early on. We regard even moderate adverse effects on the net assets, financial position and results of operations from our research and development activities as unlikely.

Personnel risks

The competence and commitment of our employees are important factors in our successful development. Our vocational training, in the context of demographic change too, contributes to securing and strengthening these factors. By means of practice-based support for future generations of employees, targeted further training measures and encouragement for those who display potential, the K+S Group has demonstrated that it is an attractive employer able to retain managerial personnel in particular over the long term. With this strategy and increased cooperation with selected colleges, we offer qualified employees promising career prospects. Key positions are regularly analysed with respect to forward-looking succession planning, and suitable candidates are prepared for such tasks. Further elements of our personnel strategy are assistance and advice geared towards target groups as well as attractive incentive systems. Furthermore, the K+S Group maintains a good and constructive relationship with its employees and their unions, in which they, particularly in Germany and North America, are traditionally largely organised. Overall, we consider even moderate effects on the net assets, financial position and results of operation from the personnel risks described as unlikely.

Compliance risks

Compliance with applicable laws, corporate guidelines and regulatory standards recognised by the Company is an integral part of the corporate culture and thus a responsibility and duty of every employee. In order to ensure behaviour that complies with these regulations, we have established a groupwide compliance programme, which, for example, provides for employee training on the risk areas of antitrust / competition law and anticorruption. We regard serious violations by individual employees, which could have a significant impact on the net assets, financial position and results of operations, as unlikely. A detailed presentation of our compliance system can be found in our declaration on corporate governance on page 3 et seq.

IT risks

Our IT systems support almost all Company functions to a high degree. Our management of information technology risks is based on the DIN ISO 31000 standard "Risk Management – Principles and Guidelines". With the establishment of an IT security management system based on the DIN ISO 27001 standard, a key prerequisite for the management of IT risks was created. In order to protect our business processes against such risks, structures were established and measures adopted, which make the occurrence of risks improbable. The redundant design of the IT systems and their infrastructure are of particular importance in this. Our computer centre is thus operated as a two-location system, and the components of the infrastructure (power supply, data cables etc.) are duplicated. We meet the increased security requirements faced by the IT organisation through the functions of IT compliance, the IT security officer and the data protection officer. To a great extent, our operational concepts, e.g. in the areas of monitoring, data backup, access control, fault management and business continuity management, ensure the availability of the IT systems. We classify the likelihood of short-term effects due to IT risks as moderate. We consider it improbable that damage will occur. The IT integration of Morton Salt which began at the start of 2010 will probably be completed in 2012 with the provision of all necessary IT functionalities. It is planned for Potash One to make all SAP modules available for project and investment controlling in the first half of 2011.

Financial risks

Due to the global nature of its business operations, the K+S Group is exposed to different financial risks. These include the price change risk (consisting of the currency and interest rate risk), the default risk, the liquidity risk and the resultant fluctuations in payment flows. We regard market price risks in the sense of energy price risks, risks arising from the change of freight rates and from the price increase of ammonia as operational risks. These are described on pages 40 et seqq. If derivative financial instruments are used to hedge the respective risks, these are explained in detail in the description of risk management in relation to financial instruments on pages 30 et seq.

Risks due to exchange rate fluctuations

A currency risk results from transactions, which are not effected in our functional currency (euro). With this risk, we draw a further distinction between transaction and translation risks.

While a great part of the revenues of the K+S Group is settled in euros, in financial year 2010, the part of our revenues generated in US dollar accounted for almost 40% of Group revenues. In addition to this, revenues of a secondary magnitude were also generated in other national currencies (e.g. Canadian dollar, Chilean peso and pound sterling). As a result, our business operations are exposed to the fluctuations in exchange rates between the euro and the various other currencies. 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 in different currencies (transaction risks).

Exchange rate fluctuations, especially in relation to the US dollar, play an important role for the Potash and Magnesium Products business segment.

Furthermore, currency effects also have an effect in the Salt business segment where a significant part of earnings and cash flows are generated in US dollar and in Canadian dollar and converted into the Group currency, the euro (translation risks). Such translation risks also exist in relation to the net assets of subsidiaries, whose functional currency is not the euro, which may result in fluctuations in equity as at the reporting date. This applies especially in the case of the acquisition of Morton Salt, which was completed in October 2009, which has resulted in a significant proportion of foreign currency assets.

Exchange rate fluctuations may have an adverse effect on the net assets, financial position and results of operations of the K+S Group. In order to counter these exchange rate risks, we use derivative financial instruments (see "Risk management in relation to financial instruments" on pages 30 et seq.). Within the framework of transaction hedging, net positions, i.e. the payments resulting from revenues generated in foreign currencies less the outgoing payments in foreign currencies, are hedged against exchange rate fluctuations through derivatives, normally options and futures. Hedge transactions are concluded in relation to billed receivables and anticipated net positions on the basis of projected revenues. The net positions are determined on the basis of revenue and cost planning using safety margins and updated on an ongoing basis in order to avoid excess hedging or hedging shortfalls. In addition, planned earnings are also hedged against translation risks, in so far as these are of material significance. In relation to the current results, we consider the possible risk arising from exchange rate fluctuations to be moderate.

Risks arising from a change in the general interest rate level

The interest rate change risk results from market-related fluctuations in the general level of interest rates. On the one hand, a change has an effect on the amount of interest payments, on the other hand, on the market values of financial instruments.

As of 31 December 2010, the financial liabilities are almost completely hedged against a rise in interest rates by means of fixed-rate financing. The investments predominantly have a short-term interest rate lock-down. Rising interest rates would thus tend to improve the financial result and the associated cash flows on the basis of the asset and capital structure as of 31 December 2010. Falling interest rates would lead to an adverse impact. Therefore, interest rates are analysed regularly to manage this risk. We regard a change, particularly an increase, in the general level of interest rates in comparison to the assumption made in the medium-term planning as possible, while we assess the effects as moderate.

Risks arising from the default of payment by customers and the risk of financial institutions failing

This default risk should be understood as the partial or complete non-fulfilment of contractually assured obligations on the part of one or more contractual partners.

We maintain extensive business relationships with many customers. If one or more major customers are not in a position to fulfil their contractual obligations towards us or become insolvent, this could result in corresponding losses for us. The majority of risks arising from defaults of payment are covered for us by credit insurance. The waiving of an insurance cover for receivables is only possible after specific approval has been obtained, which, depending on the magnitude, has to be issued by the management of the business segment or the competent member of the Board of Executive Directors, and after the long-term customer relationship has been reviewed critically. Across the Group, more than 80% of all insurable receivables are hedged against a default.

Default risks also exist with respect to financial institutions with which we have concluded hedging transactions, with which credit lines exist or investments were made. This risk has increased recently due to the financial crisis and is limited by the fact that the financial transactions are only effected with institutions having good credit ratings. In order to ensure this, the creditworthiness of financial institutions is constantly monitored.

Sureties and default guarantees only exist between companies within the K+S Group, not, however, for third parties.

A potential default on receivables or failure of a bank could have a moderate adverse effect on the financial position of the K+S Group. However, due to measures adopted for hedging receivables and the selection of financial institutions as well as the diversification described above, we regard this as unlikely.

Liquidity risks

The liquidity risks consists in the funds needed to meet payment obligations not being procured in time and consequently higher refinancing costs being potentially incurred. For this reason, the main goals of our liquidity management consist in ensuring the ability to pay at any time and the constant fulfilment of contractual payment obligations. The need for liquidity is essentially determined via liquidity planning and is covered via assured credit lines and liquid funds.

Liquidity is managed via a groupwide cash pool system by the central treasury unit. In the case of investments, we pursue the goal of optimising the income earned from liquid funds at low risk. In the case of all forms of investments, there are certain set creditworthiness requirements in relation to issuers that have to be met. We optimised the due date profile of the financing instruments of the K+S Group in financial year 2010. Therefore, two revolving credit lines were grouped as one syndicated credit line

with more favourable terms and the maturity was extended from April 2012 to July 2015. Beyond that, there are also bilateral framework credit agreements which have not been taken up so far. There is no particular dependency on any individual lenders. Within the framework of the existing credit lines, the K+S Group has entered into certain obligations (financial covenants) to maintain certain financial figures. If these obligations were violated, a premature termination of this financing through lenders is possible. However, a violation of the currently valid financial covenants appears unlikely due to significantly positive financial figures. The bond issued in September 2009 with a volume of € 750 million and a term of five years is not subject to the obligation to maintain certain key figures. With regard to the maturity structure of our liabilities, we classify a material liquidity or financing risk for the K+S Group as unlikely.

Maturity profile of financial liabilities of the K+S Group (in € million)



Risks arising from a change in the Company rating

Ratings are used to assess the creditworthiness of companies and are normally issued by external rating agencies. In particular for credit institutions and institutional investors, the rating provides indications of the ability to pay of companies and has, e.g. effects on the costs and availability of financing possibilities.

At present, we are rated "investment grade" by the rating agencies "Standard & Poor's" and "Moody's Investors Service". While the outlook given by Standard & Poor's is "positive" in view of our strong financial figures, it is classified as "stable" by Moody's (Standard & Poor's issuer rating: BBB positive outlook, Moody's issuer rating: Baa2 stable outlook). Rating downgrades, in particular the loss of the rating into the "investment grade" category, could have a negative impact on the terms of financing. Downgrades can, for example, require the furnishing of creditors with collateral and decrease the readiness of business partners to do business with the K+S Group. In the case of existing credit lines, higher interest margins would have to be paid under certain circumstances. At the same time, new credit lines could become more expensive. We regard the risk of a downgrade of the credit rating, in particular into the "non-investment grade" segment, as unlikely. We classify the effect as moderate.

Development of Credit Ratings

Standard & Poor's

| Date | Rating | Outlook |
|------------------|--------|----------|
| 17 January 2011 | BBB | Positive |
| 29 October 2010 | BBB | Stable |
| 30 November 2009 | BBB | Stable |
| 27 August 2009 | BBB | Negative |
| 18 June 2009 | BBB+ | Negative |
| 23 April 2009 | BBB+ | Stable |

Moody's

| Date | Rating | Outlook |
|------------------|--------|----------|
| 29 November 2010 | Baa2 | Stable |
| 31 March 2010 | Baa2 | Stable |
| 4 September 2009 | Baa2 | Negative |
| 23 April 2009 | Baa2 | Stable |

Assessment of overall risk situation

Overall risk is assessed on the basis of the risk management system in conjunction with the planning, management and control systems in place. The main potential risks to the future development of the K+S Group are posed in particular by risks arising from fluctuations in supply and demand and risks stemming from the change of or refusal to grant permits by public agencies. On the basis of the findings of our medium-term planning, no such serious risks to the future development are identifiable at the present time that could, whether individually or in conjunction with other risks, have a lasting influence on the net assets, financial position and results of operations of the K+S Group, that could jeopardise its existence. Future opportunities have not been considered in assessing the overall risk. In terms of organisation, we have fulfilled all the conditions for being able to recognise possible opportunities and risks early on and to act correspondingly.

Subsequent Events

No material changes have occurred in the economic environment or in the position of our industry since the end of the financial year.

K+S acquires majority interest in Potash One

On 22 November 2010, K+S Aktiengesellschaft and Potash One had signed an agreement under which K+S made an offer to all Potash One shareholders to acquire all shares at a price of CAN\$ 4.50 (transaction volume: CAN\$ 434 million, equivalent to around € 325 million). Potash One holds several potash exploration licences in the Canadian province of Saskatchewan including the Legacy Project – an advanced green-field project for the construction of a potash solution plant. The formal takeover bid

was sent to the holders of the Potash One shares on 13 December 2010. The term of acceptance ended on 18 January 2011.

On 19 January 2011, K+S announced that about 81% of the Potash One shares had been tendered by the offer deadline. The deadline was extended until 4 February in order to give the remaining shareholders the opportunity to tender their shares. On 7 February, we announced that the tender ratio had risen to 90.9%. As the bid was accepted by more than 90% of the Potash One shareholders, the remaining outstanding Potash One shares will be acquired by means of an exclusion procedure within the framework of the Canada Business Corporations Act. By mid-May 2011, the acquisition of Potash One should be completed.

Apart from this, no other events of material importance for the K+S Group requiring disclosure have occurred.

Forecast Report

The earnings development of K+S Aktiengesellschaft depends largely on the development of the subsidiaries. The following development is forecast for the K+S Group:

Currently, both the demand for and price level of mineral fertilizers are growing all around the world. In the current year, the salt business too will probably profit from an once again above-average demand for de-icing salt. As regards the development of the business in 2011, from today's perspective, we therefore anticipate a tangible increase in revenues. As the expected rise in costs will probably lag behind the increase in revenues, we even see good opportunities for a significant increase in comparison with the corresponding figures for the previous year both for operating earnings EBIT I and for the Group earnings.

A globally limited availability of agricultural land and, probably over a longer period, higher agricultural prices will motivate farmers all over the world to increase their acreage yields. Particularly in the emerging market countries, this requires a greater intensity of fertilizer application, so that for 2012, it can be assumed that there will be a further increase in demand with, at the same time, a high level of production capacity utilisation. Price potential especially for potash and magnesium fertilizers is therefore possible. As a result of the good start to the de-icing business both in Europe and North America due to weather conditions, we are expecting stable revenues at a high level for the Salt business segment in 2011 in comparison to the peak year 2010; on the cost side, in particular higher freight costs as well as sales from stocks should result in moderately declining operating earnings. In comparison to the figures for the previous year, it should therefore be assumed for the K+S Group that 2012 will overall be characterised by stable revenue development and moderately improving earnings.

Our outlook for the years 2011 and 2012 is based, among other things, on the following assumptions:

- continued attractive agricultural prices;
- higher average proceeds and stable sales volumes in the Potash and Magnesium Products business segment (expected sales volume in both years: about 7 million tonnes); 22 to 23 million tonnes of crystallised salt in 2011 and about 21 million tonnes in 2012 (normal year);
- a US dollar exchange rate of 1.35 USD/EUR;
- significantly rising energy costs in 2011 and a stable cost development in the following year on the basis of an oil price level of around US\$ 90 per barrel and of the energy contract clauses relevant for us;
- a stable adjusted Group tax ratio of 26 to 27%.

Moreover, further growth in our core business sectors remains the focal point of our strategy and encompasses both acquisitions and cooperation arrangements.

Guarantee of the legal representatives of K+S Aktiengesellschaft

To the best of our knowledge, and in accordance with the applicable principles for financial reporting, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of K+S Aktiengesellschaft, and the management report includes a fair review of the development and performance of the business and the position of K+S AG, together with a description of the principal opportunities and risks associated with the expected development of K+S AG.

Kassel, 1 March 2011

K+S Aktiengesellschaft
The Board of Executive Directors

Forward-looking statements

This management report contains facts and forecasts that relate to the future development of K+S AG 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 not to be correct or risks arise – examples of which are mentioned in the risk report – actual developments and events may deviate from current expectations.

Income Statement

| T€ | 2010 | 2009 |
|--|----------------|---------------|
| Revenues | 63,959 | 64,497 |
| Cost of Sales | 71,251 | 65,822 |
| Gross profit | (7,292) | (1,325) |
| Selling expenses | 2,823 | 1,738 |
| General and administrative expenses | 34,143 | 25,628 |
| Research costs | 4,732 | 4,589 |
| Other operating income | 27,264 | 42,172 |
| Other operating expenses | 38,384 | 140,171 |
| Income from investments, net | 480,548 | 228,124 |
| Write-downs of securities classified as current assets | - | 10 |
| Interest income, net | (64,950) | (52,300) |
| Result from ordinary activities/ Earnings before income taxes | 355,488 | 44,535 |
| Extraordinary profit or loss | (11,006) | - |
| Earnings before income taxes | 344,482 | 44,535 |
| Taxes on income | 126,660 | 1,779 |
| Net income for the year | 217,822 | 42,756 |
| Profit carried forward | 7,870 | 3,394 |
| Profit retained | 225,692 | 46,150 |

Balance Sheet

| T€ | 31.12.2010 | 31.12.2009 |
|------------------------------|------------------|------------------|
| Intangible assets | 161 | 142 |
| Tangible assets | 16,957 | 17,102 |
| Long-term financial assets | 2,291,593 | 2,262,749 |
| Non-current assets | 2,308,711 | 2,279,993 |
| Inventories | 1,129 | 3,840 |
| Receivables and other assets | 699,251 | 533,751 |
| Securities | - | 151,995 |
| Cash and bank balances | 556,554 | 312,073 |
| Current assets | 1,256,934 | 1,001,659 |
| Prepaid expenses | 6,408 | 14,890 |
| ASSETS | 3,572,053 | 3,296,542 |

Development of Non-current Assets

| T€ | Gross carrying amounts | | | | Balance as of 31.12.2010 |
|---|-----------------------------|---------------|--------------|-------------------|-----------------------------|
| | Balance as of 01.01.2010 | Additions | Disposals | Reclassifications | |
| Intangible assets | | | | | |
| Concessions, industrial and similar rights and assets, and licences in such rights and assets | 6,197 | 185 | 73 | 16 | 6,325 |
| Prepayments | 16 | - | - | (16) | 0 |
| | 6,213 | 185 | 73 | 0 | 6,325 |
| Tangible assets | | | | | |
| Land, land rights and buildings including buildings on third-party land | 57,008 | 10 | 2,022 | 13 | 55,009 |
| Technical equipment and machinery | 29,944 | 1,081 | 1,791 | - | 29,234 |
| Other equipment, operating and office equipment | 15,946 | 1,163 | 672 | 10 | 16,447 |
| Prepayments and assets under construction | 28 | 261 | - | (23) | 266 |
| | 102,926 | 2,515 | 4,485 | 0 | 100,956 |
| Long-term financial assets | | | | | |
| Shares in affiliated companies | 2,260,618 | 29,718 | - | - | 2,290,336 |
| Loans to affiliated companies | 27,879 | 42 | 705 | - | 27,216 |
| Other long-term equity investments | 66 | - | - | - | 66 |
| Loans to other long-term equity investments | 600 | - | 180 | - | 420 |
| Other loans and other long-term financial assets | 144 | 5 | 46 | - | 103 |
| | 2,289,307 | 29,765 | 931 | - | 2,318,141 |
| Non-current assets | 2,398,446 | 32,465 | 5,489 | 0 | 2,425,422 |

| T€ | 31.12.2010 | 31.12.2009 |
|---|------------------|------------------|
| Subscribed capital | 191,400 | 191,400 |
| Capital reserve | 701,616 | 701,609 |
| Revenue reserves | 285,480 | 282,980 |
| Profit retained | 225,692 | 46,150 |
| Equity | 1,404,188 | 1,222,139 |
| Provisions for pensions and similar obligations | 31,415 | 86,311 |
| Provisions for taxes | 49,379 | 1,280 |
| Other provisions | 145,997 | 140,052 |
| Provisions | 226,791 | 227,643 |
| Liabilities | 1,941,074 | 1,846,760 |
| EQUITY AND LIABILITIES | 3,572,053 | 3,296,542 |

| Depreciation, amortisation and write-downs | | | | | | Net carrying amounts | |
|--|--------------|--------------|-------------------|-----------|-----------------------------|-----------------------------|-----------------------------|
| Balance as of 01.01.2010 | Additions | Disposals | Reclassifications | Write-ups | Balance as of 31.12.2010 | Balance as of 31.12.2010 | Balance as of 01.01.2009 |
| 6,071 | 166 | 73 | - | - | 6,164 | 161 | 126 |
| - | - | - | - | - | - | 0 | 16 |
| 6,071 | 166 | 73 | - | - | 6,164 | 161 | 142 |
| 46,981 | 291 | 1,977 | - | - | 45,295 | 9,714 | 10,027 |
| 26,265 | 921 | 1,790 | - | - | 25,396 | 3,838 | 3,679 |
| 12,578 | 1,397 | 667 | - | - | 13,308 | 3,139 | 3,368 |
| - | - | - | - | - | - | 266 | 28 |
| 85,824 | 2,609 | 4,434 | - | - | 83,999 | 16,957 | 17,102 |
| 26,537 | - | - | - | - | 26,537 | 2,263,799 | 2,234,081 |
| 10 | - | - | - | 10 | 0 | 27,216 | 27,869 |
| - | - | - | - | - | - | 66 | 66 |
| - | - | - | - | - | - | 420 | 600 |
| 11 | - | - | - | - | 11 | 92 | 133 |
| 26,558 | - | - | - | 10 | 26,548 | 2,291,593 | 2,262,749 |
| 118,453 | 2,775 | 4,507 | - | 10 | 116,711 | 2,308,711 | 2,279,993 |

Notes

General principles

The annual financial statements of K+S Aktiengesellschaft as of 31 December 2010 have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch - HGB) and the German Stock Corporation Act (Aktiengesetz – AktG). In the interests of clearer presentation, individual captions in the balance sheet and in the income statement have been grouped together. These items are set out separately in the Notes and commented on. The individual captions contained in the annual financial statements are presented in € thousands (T€).

The provisions contained in the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG) were applied for the first time to financial year 2010. In accordance with the transitional provisions of the BilMoG, the figures for the previous year have not been adjusted to bring them into line with the new accounting rules.

Accounting and valuation principles

Intangible assets

Acquired intangible assets are recognised at acquisition cost and systematically amortised on a straight-line basis over their expected useful lives. Software is reported as a disposal after it has completely been amortised. Special write-downs are recorded in the event of a probable permanent impairment in value. Self-generated intangible assets are not capitalised.

Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or manufacturing cost less depreciation. Besides directly attributable costs, the manufacturing costs of internally manufactured assets also include a pro rata share of overheads, including depreciation.

Movable assets acquired before 1 January 2010 are mainly depreciated by using the declining balance method. Movable assets acquired after 31 December 2009 as well as immovable assets are depreciated by using the straight-line method. The change to the methods of depreciating movable assets has no significant impact on the net assets and the results of operations.

Depreciation rates depend on expected useful lives. For buildings these usually are 14 to 33 years, for technical equipment and machinery 3 to 25 years, and for other equipment, operating and office equipment 3 to 10 years. Low-value assets are completely written off in the year of purchase and reported as disposals after five years.

In the event of a probable permanent impairment in value, special write-downs are carried out. If the reasons for a special write-down cease to exist, the original value is reinstated. Gallery and excavation work is not capitalised.

Long-term financial assets

Shares in affiliated companies and other long-term equity investments are measured at acquisition cost or, in the case of an expected permanent impairment in value, at the lower fair value as of the balance sheet date.

Loans are recognised at acquisition cost or, in the case of non-interest-bearing or low-interest loans, at present value. Foreseeable risks are reflected by special write-downs.

Inventories

Inventories are recognised at acquisition or manufacturing cost, observing the lower of cost or market principle. Besides direct costs, manufacturing costs include appropriate portions of the necessary material and factory overheads as well as the depreciation of the non-current assets.

Receivables and other assets

Receivables are recognised at nominal or present value, depending on their maturity term. Individual risks are reflected by write-downs and general credit risk is reflected by a flat-rate value adjustment.

Other assets are recognised at the lower of cost or fair value.

Securities

Securities are measured at acquisition cost or at a lower fair value as at the balance-sheet date, insofar as they are not to be measured at their fair value within the meaning of Sec. 246 Para. 2, Sent. 2 of the German Commercial Code.

Prepaid expenses

Use is made of the option provided by Sec. 250 Para. 3 of the German Commercial Code allowing for the deferral of discounts arising from the contracting of liabilities.

Setoff of assets, income and expenses,

Assets that are used solely to discharge pension obligations and overdue semi-retirement obligations and to which all other creditors have no access (cover funds within the meaning of Sec. 246 Para. 2 Sent. 2 of the German Commercial Code) are valued at their fair value. In the income statement, income and expenses from these assets are set off against expenses arising from the interest accrual on the relevant liabilities, and the balance is stated under the net interest income. In the balance sheet, these assets are set off against the respective underlying liabilities. The resulting obligation overhangs are stated under provisions for pensions and similar obligations (pension obligations) and other provisions (overdue semi-retirement obligations).

Provisions for pensions and similar obligations

The amount of settlement of pension obligations is determined using the projected unit credit method, applying actuarial principles. The option provided by Sec. 253 Para. 2 Sent. 2 of the German Commercial Code is used to determine the maturity-congruent

discount factor. Pension obligations earn lump-sum interest according to the average market interest rate over the previous seven years determined by the German Bundesbank, which results from an expected residual maturity of 15 years. As of the balance sheet date, this actuarial interest rate is 5.16%.

The salary and pension trends assumed amount to 1.8% each. The probabilities of death are based on the Heubeck mortality tables (2005G).

The one-off addition to pension provisions as a result of the first-time application of the BilMoG was fully expensed in the extraordinary result for the financial year. An accrual of the one-off addition amounts over a maximum of 15 years was waived.

Other provisions

Other provisions are created for uncertain liabilities or for possible losses from pending transactions, taking into account future price and cost increases. Provisions with a residual maturity of more than one year accrue interest according to the maturity-congruent average market interest rate for the previous seven years determined and announced by the German Bundesbank.

Provisions for mining obligations related to mine and shaft backfilling are stated at the present value of expected future expenses. The present value is calculated based on the current average discount factor for mining obligations, 4.83%, and an annual price increase trend of 1.5%. The discount factor is based on the weighted average of the discount factors announced by the Bundesbank. Mining provisions also include restoration obligations. Provisions for mining damage are determined on the basis of past instances of damage, in order to take account of the actual risk. The provisions for length-of-service bonuses are determined for the periods of service according to the modified entry age normal method, applying actuarial principles. The amount of fulfillment of semi-retirement obligations is determined according to the present value method.

Expenses resulting from the revaluation of provisions due to the first-time application of the BilMoG are disclosed in the extraordinary result. As far as the revaluation of provisions would have resulted in an amount of amortization which would have to be reintroduced to the accounts by 31 December 2024 at the latest, the provisions existing as of 31 December 2009 have been fully retained in compliance with Art. 67 Para. 1 Sent. 2 of the German Commercial Code Introduction Act (EGHGB). The surplus amount as of the balance sheet date is stated in the explanations to Other Provisions.

In the framework of the first-time application of the BilMoG, provisions for expenses within the meaning of Sec. 249 Para. 2 of the German Commercial Code (old version) to the amount of T€ 2,500 were released without affecting profit or loss. This amount was allocated directly to revenue reserves.

Liabilities

Liabilities are recognised according to their settlement amount.

Deferred taxes

Deferred taxes are formed to cover the temporary differences between the commercial law values and the tax values of assets, debts and prepaid expenses. Apart from the differences at its own balance sheet items, K+S Aktiengesellschaft also takes in to account the reporting and measurement differences at tax group subsidiaries. Loss and interest carryforwards are taken into account as long as the offsetting against taxable income within the next five years is realisable. Deferred taxes are measured on the basis of the combined income tax rate of 28.2% for the tax group companies of K+S Aktiengesellschaft. In addition to the corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% paid on it, this takes into account an average trade tax rate of 12.4%.

The total resulting tax burden is reported in the balance sheet as a deferred tax liability. In the event of an overall tax relief, no use is made of the option to capitalise offered by Sec. 274 Para. 1 Sent. 2 of the German Commercial Code.

As of the balance sheet date, liability balances result from differences in reporting and measuring trade receivables and other assets and reserves pursuant to Sec. 6b Para. 3 of the German Income Tax Act. Asset balances primarily result from differences in the carrying amounts of mining provisions, pension provisions and non-current assets. Offsetting asset and liability differences resulted in an asset surplus for the year under review that was not recognised in the balance sheet.

Valuation units and derivative financial instruments

No valuation units within the meaning of Sec. 254 of the German Commercial Code have been formed during the financial year under review. Derivative financial instruments are carried in the balance sheet according to the imparity principle according to the general commercial accounting principles. Financial derivatives as assets are stated up to their acquisition cost. If their fair value is less than their acquisition cost, the derivatives are written down to the lower fair value. In the case of a negative fair value, a provision for anticipated losses is formed. Financial derivatives as liabilities are at least stated at the amount of the writer premium received. If the negative fair value exceeds the value of the liability, a provision for anticipated losses is formed.

Foreign currency conversion

The acquisition costs of assets purchased in a foreign currency and proceeds from sales in foreign currencies are recorded according to the exchange rate prevailing at the transaction date.

Liabilities in a foreign currency with a residual term of no more than one year are measured at the mean spot rate of exchange at the balance sheet date. All other liabili-

ties in a foreign currency are measured at the conversion rate at the transaction date or the lower mean spot rate of exchange as of the balance sheet date.

Receivables in a foreign currency with a life of not more than one year are valued at the median cash exchange rate as of the balance sheet date. All other receivables in a foreign currency are valued at the exchange rate in force on the day they emerged, or according to the lower median exchange rate as of the balance sheet date.

Notes to the balance sheet

Non-current assets

The development of the gross carrying amounts and depreciation, amortisation and write-downs of individual items of non-current assets are presented separately.

Long-term financial assets

The statement of shareholdings according to Sec. 285 No. 11 of the German Commercial Code is presented separately in the list of shareholdings.

Inventories

| T€ | 2010 | 2009 |
|---|--------------|--------------|
| Raw materials, consumables and supplies | 1,129 | 946 |
| Work in progress | - | 2,894 |
| | 1,129 | 3,840 |

Receivables and other assets

| T€ | 2010 | 2009 |
|---------------------------------------|----------------|----------------|
| Trade receivables | 15,094 | 18,710 |
| Receivables from affiliated companies | 657,345 | 478,689 |
| Other assets | 26,812 | 36,352 |
| | 699,251 | 533,751 |

Of the receivables from affiliated companies, T€ 76,489 (previous year: T€ 116,958) were receivables from payment transactions within the Group, T€ 548,922 (previous year: T€ 302,106) were receivables from profit and loss transfer and T€ 2 (previous year: T€ 38,082) were income from investments. They primarily consist of trade receivables.

Trade receivables amounting to T€ 5,311 (previous year: T€ 7,115) and other assets amounting to T€ 487 (previous year: T€ 6,083) have a residual term of more than one year.

Prepaid expenses

The prepaid expenses consist of a discount of T€ 2,318 in the meaning of Sec. 250 Para. 3 of the German Commercial Code.

Subscribed capital

The subscribed capital of K+S Aktiengesellschaft amounts to € 191.4 million and is divided into 191.4 million no-par value bearer shares. In accordance with the resolution of the Annual General Meeting, the Board of Executive Directors was authorised, with the approval of the Supervisory Board, to increase the share capital of K+S Aktiengesellschaft on one or more occasions until 9 May 2011 against cash or in-kind contributions and by up to no more than € 82.5 million in the aggregate through the issuance of no more than 82.5 million new value bearer shares (authorised capital). In connection with a capital increase, € 26.4 million was used in 2009, so that as of the balance sheet date, authorised capital amounted to € 56.1 million. Existing shareholders essentially hold subscription rights in respect of a capital increase.

The Board of Executive Directors may, with the approval of the Supervisory Board, exclude the statutory subscription rights of shareholders in the following cases and in respect of up to a proportionate amount of € 41.25 million of the share capital (the equivalent of 41.25 million shares):

- in respect of fractional amounts arising from such subscription right;
- in the case of capital increases against cash contributions, if the capital increase does not exceed 10% of the share capital and the issue price of the new shares is not significantly lower than the relevant exchange price, which is the weighted average of the exchange prices of the shares in the XETRA computerised trading system for the ten exchange trading days preceding the subscription of the new shares;
- in the case of capital increases against in-kind contributions, if the new shares are to be used for the acquisition of a company or an equity interest in a company.

The Board of Executive Directors is authorised, with the approval of the Supervisory Board, to determine further details pertaining to a capital increase from authorised capital.

Details of own shares

During the financial year under review, the Company acquired 200,024 own shares at an average price of € 41.81. The maximum arithmetical proportion of the acquired shares in the share capital was 0.1%, and the amount of the share capital allocated to the acquired shares was T€ 200. Shares were sold to employees and on the open market for an average price of € 41.85. The difference amount of T€ 7 resulting from the excess proceeds was allocated to the capital reserve according to Sec. 272 Para. 1b Sent. 3 of the German Commercial Code. The Company holds no shares of its own as of the balance sheet date.

Capital reserve

| T€ | 2010 | 2009 |
|---|----------------|----------------|
| Balance as of 1 January | 701,609 | 39,140 |
| Allocation under capital increase | - | 662,469 |
| Allocation of difference amount from the sale of own shares | 7 | - |
| Balance as of 31 December | 701,616 | 701,609 |

Other revenue reserves

| T€ | 2010 | 2009 |
|---|----------------|----------------|
| Balance as of 1 January | 282,980 | 282,978 |
| Transfer of reserve for own shares | - | 2 |
| Transfer of amounts resulting from first-time application of BilMoG | 2,500 | - |
| Balance as of 31 December | 285,480 | 282,980 |

Due to the first-time application of the BilMoG, provisions for expenses within the meaning of Sec. 249 Para. 2 of the German Commercial Code (old version) to the amount of T€ 2,500 were released without earnings being affected. The transfer of the amount resulting from the first-time application of the BilMoG results from the release of provisions for expenses in the amount of T€ 2,500 in the meaning of Sec. 249 Para. 2 of the German Commercial Code (old version) without affecting profit or loss.

Profit retained

| T€ | 2010 | 2009 |
|----------------------------------|----------------|---------------|
| Balance as of 1 January | 46,150 | 399,394 |
| Dividend payment | (38,280) | (396,000) |
| Net income | 217,822 | 42,756 |
| Balance as of 31 December | 225,692 | 46,150 |

Provisions for pensions and similar obligations

There are no deficits in the provisions for pensions and similar obligations. For the first time, pension provisions were offset against assets to which creditors have no access and which are intended solely for the fulfillment of pension obligations.

As of the balance sheet date, the settlement amount of pensions and similar obligations was T€ 102,820 (without taking into account liabilities from employees' deferred compensation). Set off against the fair value of the cover funds amounting to T€ 71,405, this results in a balance sheet value for pensions and similar obligations of T€ 31,415. In addition, there were obligations from employees' deferred compensation in the amount of T€ 1,436, which was covered by congruent insurance policies. The settlement amount was fully set off against the fair value of the insurance policies (T€ 1,436).

The cover funds comprise securities, reinsurance policies and bank balances. The securities are stated with their market prices and bank balances at their par value as of the balance sheet date. The fair value of the reinsurance policies was determined on the basis of the actuarial reserve of the insurance policies, plus any available excess from profit sharing. The acquisition costs of the cover funds were T€ 71,145.

Other provisions

The other provisions adequately take all identifiable risks into account. They mainly arise from mining obligations. In addition, there are primarily provisions for personnel obligations.

The excess amount of other provisions within the meaning of Art. 67 Para. 1 Sent. 4 of the German Commercial Code Introduction Act, resulting from the changeover to the BilMoG, was T€ 5,911 as of the balance sheet date.

In the balance sheet, for the first time, provisions for overdue semi-retirement obligations were offset against assets to which creditors have no access and which are intended solely for the fulfillment of semi-retirement obligations.

Provisions for semi-retirement

| T € | 2010 |
|---|-------|
| Settlement amounts for pensions and similar obligations | 4,499 |
| Fair value of cover funds | 2,909 |
| Net value of pensions and similar obligations (provision) | 1,590 |
| Acquisition cost of cover funds | 2,645 |

The cover funds comprise securities and bank balances. The securities are stated at their market prices, and cash and bank balances are stated at their par value as of the balance sheet date.

Liabilities

| T € | 2010 | 2009 |
|-------------------------------------|------------------|------------------|
| Bond | 750,000 | 750,000 |
| Liabilities to banks | 693 | 300,008 |
| Trade payables | 4,421 | 11,926 |
| Liabilities to affiliated companies | 1,169,686 | 770,508 |
| Other liabilities | 16,274 | 14,318 |
| | 1,941,074 | 1,846,760 |

Of liabilities to affiliated companies, liabilities from payment transactions within the Group account for T€ 1,058,003 (previous year: T€ 604,990) and liabilities from loans for T€ 30,167. Apart from that, they mainly relate to liabilities from transfer of losses in the amount of T€ 67,291 (previous year: T€ 112,064).

The liabilities with a residual term of up to one year consist of:

| T€ | 2010 | 2009 |
|-------------------------------------|------------------|----------------|
| Liabilities to banks | 693 | 8 |
| Trade payables | 4,421 | 11,926 |
| Liabilities to affiliated companies | 1,169,576 | 733,508 |
| Other liabilities | 14,795 | 13,479 |
| | 1,189,485 | 758,921 |

In the previous year, liabilities to affiliated companies amounting to T€ 37,000 had a residual term of more than five years. Other liabilities of T€ 332 (previous year: T€ 839) have a residual term of more than five years.

Other liabilities consist of:

| T€ | 2010 | 2009 |
|---|-------|------|
| Taxes | 3,099 | 561 |
| Liabilities relating to social security | - | 10 |

Contingent liabilities

| T€ | 2010 | 2009 |
|-------------------|------|------|
| Letter of comfort | 767 | 767 |

The letter of comfort includes a guarantee of compensatory and preparation measures of Torf- und Humuswerk Uchte GmbH. The company is a wholly owned indirect affiliated company of K+S Aktiengesellschaft. Due to the sound condition of the subsidiary's financial position, net assets and results of operations, the risk of utilisation of the letter of comfort is considered as minor.

Transactions not disclosed in the balance sheet and other financial commitments

| T € | 2010 | 2009 |
|--|---------------|---------------|
| Commitments from uncompleted capital expenditure projects | 518 | 584 |
| Commitments from long-term rental, leasing and service contracts | | |
| due in following year | 5,781 | 5,593 |
| - of which to affiliated companies | 5,015 | 4,802 |
| due in years 2 to 5 | 20,672 | 20,084 |
| - of which to affiliated companies | 20,060 | 19,209 |
| | 26,971 | 26,261 |

There are profit and loss transfer agreements with affiliated companies which also include a loss transfer.

Notes to the income statement

Revenues by product area

| T € | 2010 | 2009 |
|-------------------------|---------------|---------------|
| Animal hygiene products | 34,198 | 32,906 |
| Miscellaneous | 29,761 | 31,591 |
| | 63,959 | 64,497 |

Revenues by region

| T€ | 2010 | 2009 |
|----------------|---------------|---------------|
| Germany | 63,444 | 64,266 |
| Rest of Europe | 187 | 194 |
| Overseas | 328 | 37 |
| | 63,959 | 64,497 |

Other operating income

| T€ | 2010 | 2009 |
|--|---------------|---------------|
| Income from the reversal of provisions | 5,736 | 8,128 |
| Income from internal charging of services to Group companies | 4,796 | 659 |
| Income from letting and leasing | 2,849 | 2,829 |
| Income from exchange rate hedging transactions | 2,794 | 742 |
| Income from disposals of tangible assets | 2,123 | 659 |
| Cost reimbursement from transfer of inventories | 3,061 | 8,174 |
| Exchange rate gains | 1,557 | 8,558 |
| Sundry income | 4,348 | 12,423 |
| | 27,264 | 42,172 |

Income of T€ 8,676 (previous year: T€ 9,327) is attributable to other financial years and mostly results from the reversal of provisions.

Income from currency conversion amounted to T€ 1,558.

Other operating expenses

| T€ | 2010 | 2009 |
|--|---------------|----------------|
| Expenses from exchange rate hedging transactions | 11,037 | 64,011 |
| Expenses from strategic enterprise development | 9,498 | 7,149 |
| Expenses from the transfer of inventories | 3,061 | 8,174 |
| Pension expenses | 2,638 | 2,675 |
| Expenses for closed plants | 1,050 | 21,077 |
| Expenses for real estate | 996 | 1,041 |
| Exchange rate losses | 262 | 3,947 |
| Tax-related accelerated depreciation on assets in accordance with Sec. 6b of the German Income Tax Act | - | 512 |
| Ancillary costs from capital increase | - | 22,687 |
| Expenses for syndicated loan | - | 926 |
| Miscellaneous | 9,842 | 8,072 |
| | 38,384 | 140,271 |

Expenses of T€ 612 (previous year: T€ 303) are attributable to other financial years.

Expenses from currency conversion amounted to T€ 263.

Income from investments, net

| T€ | 2010 | 2009 |
|--|----------------|----------------|
| Income from transfer of profits | 548,922 | 302,106 |
| Income from investments | 2 | 38,082 |
| - of which from affiliated companies | - | 38,079 |
| Expenses from transfer of losses from affiliated companies | 68,376 | 112,064 |
| | 480,548 | 228,124 |

The income from the transfer of profits mainly consists of the profit transfer of K+S KALI GmbH, K+S Salz GmbH as well as K+S Nitrogen GmbH.

Expenses from the transfer of losses primarily relate to the net loss for the year of K+S Beteiligungs GmbH.

Interest income, net

| T€ | 2010 | 2009 |
|--|-----------------|-----------------|
| Other interest and similar income | 4,932 | 3,418 |
| - of which from affiliated companies | 779 | 1,165 |
| Income from other securities, lending and other financial assets | 834 | 2,456 |
| - of which from affiliated companies | 796 | 2,401 |
| Interest expenses in allocations to pension provisions | (2,855) | (5,056) |
| Expenses from the accumulation of other non-current provisions (net) | (3,885) | - |
| Other interest and similar expenses | (63,976) | (53,118) |
| - of which to affiliated companies | (2,223) | (6,893) |
| | (64,950) | (52,300) |

Since financial year 2010, expenses from the accumulation of pension provisions and other non-current provisions involve the net amount after offsetting against income and expenses from cover funds. In expenses from the accumulation of pension provisions, income from cover funds amounting to T€ 3,154 was offset (gross expenses before offsetting: T€ 6,009). In expenses from the accumulation of other provisions, income from cover funds amounting to T€ 32 was offset (gross expenses before offsetting: T€ 3,917).

Extraordinary result

| T€ | 2010 | 2009 |
|------------------------|-----------------|----------|
| Extraordinary income | 3,288 | - |
| Extraordinary expenses | (14,294) | - |
| | (11,006) | - |

Extraordinary income and expenses of the financial year arose as a result of the first-time application of the BilMoG. They result from the re-valuation undertaken as at 1 January 2010 of pension provisions (expenses: T€ 9,210; income: T€ 3,288), mining provisions (expenses: T€ 4,583), provisions for semi-retirement (expenses: T€ 261) and provisions for jubilee benefits (expenses: T€ 240). In extraordinary expenses (T€ 14,294), income from the first-time valuation of cover funds at fair value as at 1 January 2010 in the amount of T€ 10,150 was offset (gross expenses before offsetting: T€ 24,444).

Taxes

| T€ | 2010 | 2009 |
|-----------------|----------------|--------------|
| Taxes on income | 126,660 | 1,779 |
| Other taxes | 385 | 383 |
| | 127,045 | 2,162 |

Taxes on income in the amount of T€ 7,079 (previous year: T€ 1,779) refer to previous years.

The other taxes are allocated to the operating functional areas.

Cost of materials

| T€ | 2010 | 2009 |
|---|---------------|---------------|
| Cost of raw materials, consumables and supplies, and of purchased merchandise | 20,385 | 19,328 |
| Cost of purchased services | 22,431 | 23,648 |
| | 42,816 | 42,976 |

Personnel expenses

| T€ | 2010 | 2009 |
|------------------------------|---------------|---------------|
| Wages and salaries | 60,479 | 43,823 |
| Social security | 6,692 | 5,997 |
| Post-employment expenses | 3,062 | 3,498 |
| Other employee benefit costs | 54 | 22 |
| | 70,287 | 53,340 |

The post-employment expenses do not include the interest portion of the allocations to the pension provisions. This is reported as an interest expense in interest income, net.

Employees

| | 2010 | 2009 |
|--------------------|------------|------------|
| Average number | | |
| Wage earners | 105 | 109 |
| Salaried employees | 441 | 430 |
| Trainees | 15 | 16 |
| | 561 | 555 |

Other information

Derivative financial instruments

No valuation units within the meaning of Sec. 254 of the German Commercial Code were created during the financial year.

The following currency derivatives were held as of 31 December 2010 which were not recognised at fair value:

| T€ | Nominal value ¹⁾ | Fair value | Carrying amount ²⁾ |
|--|-----------------------------|------------|-------------------------------|
| USD forward exchange transactions maturing in 2011 | | | |
| - positive fair values | 43,202 | 2,014 | - |
| - negative fair values | 12,473 | (355) | (355) |
| Purchased simple USD currency options maturing in 2011 | 106,331 | 4,770 | 4,296 |
| Sold simple USD currency options maturing in 2011 | 93,396 | (1,115) | (1,845) |

¹⁾ translated into euros using weighted hedging rates

²⁾ reported under the items Other provisions, Other liabilities and Other assets

The market values computed correspond to the value upon premature hypothetical termination at the balance sheet date. The values are computed using recognised mathematical models generally used by market players. These computations were particularly based on the following parameters that applied on the balance sheet date:

- the spot exchange rates for the currencies concerned,
- the agreed hedging rates and exercise prices,
- the traded volatilities, i.e. the expected variation range of the exchange rates in question; and
- the interest level of the relevant currencies.

Information on amounts excluded from distribution

As as the balance sheet date, an amount excluded from distribution arises from the capitalisation of assets at fair value (cover funds) in accordance with Sec. 268 Para. 8 of the German Commercial Code in the amount of T€ 12,197. In the balance sheet, the cover funds were fully offset against the pension provisions and the provisions for semi-retirement obligations.

Auditor's fees

The total auditor's fee for the financial year is included in the corresponding disclosure in the notes to the consolidated financial statements of K+S Aktiengesellschaft.

Total remuneration of the Supervisory Board and the Board of Executive Directors

| T€ | 2010 |
|--|--------|
| Total remuneration of the Supervisory Board | 1,438 |
| Total remuneration of the Board of Executive Directors | 7,823 |
| Total remuneration of former members of the Board of Executive Directors and their surviving dependants | 988 |
| Pension provisions for former members of the Board of Executive Directors and their surviving dependants | 11,363 |

The individual remuneration of the members of the Board of Executive Directors and the Supervisory Board is published in a remuneration report.

Declaration on conformity with the German Corporate Governance Code

In December 2010, the Company made a declaration on conformity with the recommendations of the Government Committee for the German Corporate Governance Code, under Sec. 161 of the German Stock Corporation Act, which it has published as part of the declaration on corporate governance in accordance with Sec. 289a of the German Commercial Code on its website ([www.k-plus-s.com /en/corporate-governance](http://www.k-plus-s.com/en/corporate-governance)).

List of shareholdings

List of shareholdings in accordance with Sec. 285 No. 11 of the German Commercial Code.

As of 31 December 2010

| Company's name | Company's registered office | | Interests in capital | Currency | Equity | Result for the year |
|---|-----------------------------|-------------|----------------------|----------|----------|---------------------|
| 1. K+S Verwaltungs GmbH | Kassel | Germany | 100.00% | EUR | 27 | 0 |
| 1. K+S Verwaltungs GmbH & Co. Erwerbs KG | Kassel | Germany | 100.00% | EUR | 2 | 0 |
| 3. K+S Verwaltungs GmbH & Co. Erwerbs KG | Kassel | Germany | 100.00% | EUR | 2 | (1) |
| Algoflash GmbH Düngemittel | Kassel | Germany | 100.00% | EUR | 310 | 0 |
| Algoflash Kabushiki Kaisha | Tokyo | Japan | 100.00% | JPN | (3,343) | 477 |
| Beienrode Bergwerks-GmbH | Kassel | Germany | 89.80% | EUR | 1,170 | 4 |
| Börde Container Feeder GmbH | Haldensleben | Germany | 33.30% | EUR | 392 | 97 ²⁾ |
| Canadian Brine, Ltd. | Pointe Claire, Québec | Canada | 100.00% | CAD | 453 | 0 |
| Canadian Salt Finance Company | Halifax, Nova Scotia | Canada | 100.00% | CAD | 517,003 | 0 |
| Canadian Salt Holding Company | Halifax, Nova Scotia | Canada | 100.00% | CAD | 517,031 | 0 |
| Chemische Fabrik Kalk GmbH | Cologne | Germany | 100.00% | EUR | 10,550 | 850 |
| Compania Minera Punta de Lobos Ltda. | Santiago de Chile | Chile | 99.64% | USD | 17,814 | 3,077 |
| COMPO Austria GmbH | Vienna | Austria | 100.00% | EUR | 299 | 240 |
| COMPO Benelux N.V. | Deinze | Belgium | 100.00% | EUR | 7,140 | 949 |
| COMPO do Brasil S.A. | Guaratingueta | Brazil | 100.00% | BRL | 2,875 | (1,259) |
| COMPO Gesellschaft mbH & Co. KG | Münster | Germany | 100.00% | EUR | 81,625 | 14,767 |
| COMPO Hellas S.A. | Maroussi | Greece | 100.00% | EUR | 60 | 0 ³⁾ |
| COMPO Horticulture et Jardin S.A.S. | Roche-lez-Beaupré | France | 100.00% | EUR | (12,246) | (48,046) |
| COMPO Jardin AG | Allschwill | Switzerland | 100.00% | CHF | 3,993 | 622 |
| COMPO Verwaltungsgesellschaft mbH | Münster | Germany | 100.00% | EUR | 65 | 4 |
| Deutscher Straßen-Dienst GmbH | Hanover | Germany | 100.00% | EUR | 60 | 6,302 ¹⁾ |
| Ecuatoiana de Sal y Productos Quimicos C.A. | Guayaquil | Ecuador | 50.00% | USD | 16,147 | 4,005 ²⁾ |
| Empresa de Servicios Ltda. | Santiago de Chile | Chile | 99.64% | USD | 927 | 47 |

| | | | | | | |
|--|----------------------|-----------------|---------|-----|-----------|-----------|
| Empresa Maritima S.A. | Santiago de Chile | Chile | 48.67% | USD | 49,246 | 6,070 |
| esco - european salt company GmbH & Co. KG | Hanover | Germany | 100.00% | EUR | 132,564 | 71,157 |
| esco benelux N.V. | Diegem | Belgium | 100.00% | EUR | 10,770 | 1,561 |
| esco france S.A.S. | Levallois-Perret | France | 100.00% | EUR | 20,962 | 3,526 |
| esco Holding France S. A. S. | Dombasle sur Meurthe | France | 100.00% | EUR | 11,595 | 22 |
| esco international GmbH | Hanover | Germany | 100.00% | EUR | 40,903 | (1,542) |
| esco Nordic AB | Göteborg | Sweden | 100.00% | SEK | 4,918 | 3,272 |
| esco Spain S.L. | Barcelona | Spain | 100.00% | EUR | 414 | 1,770 |
| esco Verwaltungs GmbH | Hanover | Germany | 100.00% | EUR | 44 | 3 |
| Fachschule f. Wirtschaft und Technik Gem. GmbH | Clausthal | Germany | 9.40% | EUR | 337 | 145 |
| Fertilizantes COMPO Agro Chile Ltda. | Santiago de Chile | Chile | 100.00% | CLP | (46,396) | (503,697) |
| fertiva GmbH | Mannheim | Germany | 100.00% | EUR | 1,500 | 23,621 |
| Frisia Zout B.V. | Harlingen | The Netherlands | 100.00% | EUR | 9,936 | 1,433 |
| German Bulk Chartering GmbH | Hamburg | Germany | 100.00% | EUR | 60 | 2,659 |
| GLC Trucking Co, Inc. | Chicago | USA | 100.00% | USD | 229 | (147) |
| Glendale Salt Development LLC | Chicago | USA | 100.00% | USD | 449 | 90 |
| Hubwoo.com S.A. | Paris | France | 0.04% | EUR | 8,511 | (2) |
| Ickenroth GmbH | Staudt | Germany | 100.00% | EUR | 1,790 | 770 |
| Imperial Thermal Products, Inc. | Chicago | USA | 100.00% | USD | inactive | inactive |
| Inagua General Store, Ltd. | Chicago | USA | 100.00% | USD | 1,420 | (448) |
| Inagua Transports Inc. | Chicago | USA | 100.00% | USD | 893 | 85 |
| International Salt Company LLC | Clarks Summit | USA | 100.00% | USD | 974 | 7,418 |
| Inversiones Columbus Ltda. | Santiago de Chile | Chile | 2.00% | USD | (9,131) | 622 |
| Inversiones Empreemar Ltda. | Santiago de Chile | Chile | 48.87% | USD | 130 | 19 |
| Inversiones K+S Sal de Chile Ltda. | Santiago de Chile | Chile | 100.00% | CLP | 129,306 | 1,299,135 |
| Inversiones y Prospecciones Mineras Tarapacá Ltda. | Santiago de Chile | Chile | 100.00% | CLP | (205,958) | (64,786) |
| K plus S Española S.L. | Barcelona | Spain | 100.00% | EUR | 6,027 | 1,618 |
| K plus S Iberia S.L. | Barcelona | Spain | 100.00% | EUR | 3 | 0 |
| K+S Agricoltura Spa. | Cesano Maderno | Italy | 100.00% | EUR | 15,769 | 740 |
| K+S Agro México S.A. de C.V. | Mexico-City | Mexico | 100.00% | MXN | 6,196 | (13,258) |
| K+S AN-Instituts Verwaltungsgesellschaft mbH | Kassel | Germany | 100.00% | EUR | 26 | (1) |
| K+S Argentina S.R.L. | Buenos Aires | Argentina | 100.00% | ARS | 559 | (426) |
| K+S Asia Pacific Pte. Ltd. | Singapore | Singapore | 100.00% | SGD | 1,877 | 1,736 |
| K+S Baustoffrecycling GmbH | Sehnde | Germany | 100.00% | EUR | 60 | (162) |

| | | | | | | |
|---|-------------------|-----------------|---------|-----|-----------|------------------------|
| K+S Benelux B.V. | Breda | The Netherlands | 100.00% | EUR | 704 | 501 |
| K+S Beteiligungs GmbH | Kassel | Germany | 100.00% | EUR | 210,511 | (67,284) ¹⁾ |
| K+S Brasileira Fertilizantes e Produtos Industriais Ltda. | São Paulo | Brazil | 100.00% | BRL | 5,139 | 2,005 |
| K+S Canada Holdings Inc. | Vancouver | Canada | 100.00% | CAD | 0 | 0 ³⁾ |
| K+S Consulting GmbH | Kassel | Germany | 100.00% | EUR | 810 | (55) ¹⁾ |
| K+S CZ a.s. | Prague | Czech Republic | 100.00% | CSK | 55,927 | 17,306 |
| K+S Denmark Holding ApS | Copenhagen | Denmark | 100.00% | EUR | 288 | (116) ²⁾ |
| K+S Entsorgung (Schweiz) AG | Delémont | Switzerland | 100.00% | EUR | 480 | 190 ²⁾ |
| K+S Entsorgung GmbH | Kassel | Germany | 100.00% | EUR | 7,506 | 5,631 ¹⁾ |
| K+S Finance Belgium BVBA | Diegem | Belgium | 100.00% | EUR | 1,787,018 | 65,353 |
| K+S Finance Ltd. | St. Julians | Malta | 100.00% | EUR | 431,772 | 2,139 ¹⁾ |
| K+S France S.A.S. | Roche-lez-Beaupré | France | 100.00% | EUR | 5,880 | (4,232) ²⁾ |
| K+S Gübre ve Endüstri Ürünleri San. ve Tic. Ltd. Sti. | Istanbul | Turkey | 100.00% | TRY | 312 | 12 |
| K+S Hellas S.A. | Maroussi | Greece | 100.00% | EUR | 9,835 | (829) |
| K+S Investments Ltd. | St. Julians | Malta | 100.00% | EUR | 14,025 | 12,704 ¹⁾ |
| K+S Italia S. r. L. | Verona | Italy | 100.00% | EUR | 970 | 83 |
| K+S IT-Services GmbH | Kassel | Germany | 100.00% | EUR | 5,050 | (1,085) ¹⁾ |
| K+S KALI Atlantique S.A.S, in Liquidation | Pre en Pail | France | 100.00% | EUR | (4,467) | (3,897) |
| K+S KALI Du Roure S.A.S. | Le Teil | France | 100.00% | EUR | 3,313 | 926 |
| K+S Kali France S.A.S. | Reims | France | 100.00% | EUR | 4,425 | (3,774) |
| K+S Kali GmbH | Kassel | Germany | 100.00% | EUR | 447,083 | 449,787 ¹⁾ |
| K+S KALI Rodez S.A.S. | Onet le Château | France | 97.45% | EUR | 1,924 | 323 |
| K+S KALI Wittenheim S.A.S. | Wittenheim | France | 100.00% | EUR | 3,139 | 536 |
| K+S Mining Argentina SA | Buenos Aires | Argentina | 100.00% | ARS | 7,842 | (432) |
| K+S Montana Holding LLC | Chicago | USA | 100.00% | USD | 633,639 | 52,052 |
| K+S Nitrogen France SAS | Levallois-Perret | France | 100.00% | EUR | 50 | 0 ³⁾ |
| K+S Nitrogen GmbH | Mannheim | Germany | 100.00% | EUR | 167,557 | 32,902 ¹⁾ |
| K+S North America Corporation | New York | USA | 100.00% | USD | 7,534 | 926 |
| K+S North America Salt Holdings, LLC | Chicago | USA | 100.00% | USD | 1,729,728 | 74,565 |
| K+S Polska Sp. z o.o. | Pozna n | Poland | 100.00% | PLN | 2,954 | 5,561 |
| K+S Salt of the Americas Holding B.V. | Harlingen | The Netherlands | 100.00% | EUR | 181,820 | 13,539 |
| K+S Salz GmbH | Hanover | Germany | 100.00% | EUR | 316,679 | 49,481 ¹⁾ |
| K+S UK & Eire Ltd. | Hertford | Great Britain | 100.00% | GBP | 918 | 408 ¹⁾ |
| K+S Versicherungsvermittlungs GmbH | Kassel | Germany | 100.00% | EUR | 25 | 135 |
| Kali (U.K.) Ltd. | Hertford | Great Britain | 100.00% | GBP | - | - ⁴⁾ |
| Kali AG | Frauenkappeln | Switzerland | 100.00% | CHF | 1,443 | 311 |
| Kali-Importen A/S | Copenhagen | Denmark | 100.00% | DKK | 288 | (116) ²⁾ |
| Kali-Transport Gesellschaft m.b.H. | Hamburg | Germany | 100.00% | EUR | 2,521 | 10,927 ¹⁾ |

| | | | | | | | |
|--|--------------------------|------------------|---------|-----|-----------|--------|---------------|
| Kali-Union Verwaltungsgesellschaft mbH | Kassel | Germany | 100.00% | EUR | 10,669 | 1,234 | ¹⁾ |
| Lehrter Wohnungsbau GmbH | Lehrte | Germany | 6.70% | EUR | 12,560 | 419 | ²⁾ |
| Montana US Parent Inc. | Chicago | USA | 100.00% | USD | 0 | 0 | |
| Morton Bahamas Ltd. | Chicago | USA | 100.00% | USD | 12,690 | 9,770 | |
| Morton China National Salt (Shanghai) Salt Co., Ltd. | Shanghai | China | 45.00% | CNY | - | - | ³⁾ |
| Morton Salt, Inc. | Chicago | USA | 100.00% | USD | 1,087,931 | 13,067 | |
| MS "Basalt" Schiffahrts GmbH & Co KG | Haren | Germany | 12.00% | EUR | 1,467 | (191) | ²⁾ |
| MS "Butes" Schiffahrts GmbH & Co KG | Haren | Germany | 82.35% | EUR | 54 | (7) | ²⁾ |
| MS "Dolomit" Schiffahrts GmbH & Co KG | Haren | Germany | 11.90% | EUR | 1,772 | (216) | ²⁾ |
| MS "Echion" Schiffahrts GmbH & Co KG | Haren | Germany | 82.35% | EUR | 84 | (5) | ²⁾ |
| MS "Granit" Schiffahrts GmbH & Co KG | Haren | Germany | 12.00% | EUR | 1,689 | (223) | ²⁾ |
| MS "Lava" Schiffahrts GmbH & Co KG | Haren | Germany | 11.50% | EUR | 1,678 | (213) | ²⁾ |
| MS "Magma" Schiffahrts GmbH & Co KG | Haren | Germany | 11.90% | EUR | 1,732 | (199) | ²⁾ |
| MS "Marmor" Schiffahrts GmbH & Co KG | Haren | Germany | 11.40% | EUR | 1,675 | (194) | ²⁾ |
| MS "Melas" Schiffahrts GmbH & Co KG | Haren | Germany | 38.90% | EUR | 30 | (18) | ²⁾ |
| MS "Paganini" Schiffahrts GmbH & Co KG | Haren | Germany | 12.10% | EUR | 287 | (274) | ²⁾ |
| MS "Peleus" Schiffahrts GmbH & Co KG | Haren | Germany | 30.20% | EUR | 653 | (196) | ²⁾ |
| MS "Telamon" Schiffahrts GmbH & Co KG | Haren | Germany | 10.70% | EUR | 2,223 | (295) | ²⁾ |
| MS "Theseus" Schiffahrts GmbH & Co KG | Haren | Germany | 10.70% | EUR | 2,244 | (371) | ²⁾ |
| MSW -Chemie GmbH | Langelsheim | Germany | 68.50% | EUR | 974 | 224 | |
| Navigation Sonamar Inc. | Pointe Claire, Québec | Canada | 100.00% | CAD | 1,273 | 0 | |
| Nieders. Gesellschaft zur Endablagerung von Sonderabfall mbH | Hanover | Germany | 0.10% | EUR | 9,534 | 913 | ⁷⁾ |
| OOO K+S Rus | Moscow | Russ. Federation | 100.00% | RUR | 11,674 | 132 | ²⁾ |
| park GmbH | Recklinghausen | Germany | 100.00% | EUR | 25 | 2,996 | ¹⁾ |
| PHH Personaldienstleistung GmbH | Hamburg | Germany | 2.60% | EUR | 1,448 | (558) | ²⁾ |
| Poldergemeinschaft Hohe Schaar | Hamburg | Germany | 8.66% | EUR | 120 | 58 | |
| Potash Company of Canada (1998) Ltd. | Toronto | Canada | 100.00% | CAD | 0 | 0 | |
| Potash S.A. (Pty) Ltd. | Johannesburg | South Africa | 100.00% | ZAR | 114 | 6 | ²⁾ |

| | | | | | | |
|---|-----------------------|----------|---------|-----|---------|---------------------|
| S.P.L.-USA, LLC | Clarks Summit | USA | 100.00% | USD | 12,774 | 4,117 |
| Saleable - Importacao e Exportacao Ltda. | Lisbon | Portugal | 100.00% | EUR | 528 | 30 ²⁾ |
| Salina Diamante Branco Ltda. | Rio de Janeiro | Brazil | 100.00% | BRL | 11,495 | 3,392 |
| Salines Cérébos et de Bayonne S.A.S. | Levallois-Perret | France | 100.00% | EUR | (4,707) | (13,656) |
| Serveis de Mexico S.A. de C.V. | Mexico-City | Mexico | 100.00% | MXN | 483 | 80 |
| Servicios Maritimos Patillos S.A. | Santiago de Chile | Chile | 49.82% | USD | 2,186 | 1,643 |
| Servicios Portuarios Patillos S.A. | Santiago de Chile | Chile | 99.53% | USD | 11,814 | 1,048 |
| Shenzhen K+S Trading Co. Ltd. | Shenzhen | China | 100.00% | CNY | 22,060 | 631 |
| SIA Livanu Kudras Fabrika. | Livani | Latvia | 28.72% | LVL | 1,988 | 434 ²⁾ |
| Sociedad Punta de Lobos S.A. | Santiago de Chile | Chile | 99.64% | USD | 301,582 | 48,986 |
| Société des Engrais de Berry au Bac S.A. | Reims | France | 34.00% | EUR | 2,863 | 101 ⁵⁾ |
| The Canadian Salt Company Limited | Pointe Claire, Québec | Canada | 100.00% | CAD | 152,616 | 61,064 |
| Torf- und Humuswerk Gnarrenburg | Gnarrenburg | Germany | 100.00% | EUR | 4,970 | 259 ¹⁾ |
| Torf- und Humuswerke Uchte GmbH | Uchte | Germany | 100.00% | EUR | 1,600 | (31) ¹⁾ |
| Transporte por Containers S.A. | Valparaiso | Chile | 48.04% | USD | 5,245 | 916 |
| UBT See- und Hafen-Spedition GmbH Rostock | Rostock | Germany | 100.00% | EUR | 154 | 1,013 ¹⁾ |
| VATEL Companhia de Produtos Alimentares S.A. | Alverca | Portugal | 100.00% | EUR | 1,293 | 89 |
| Verlagsgesellschaft für Ackerbau mbH | Kassel | Germany | 100.00% | EUR | 26 | (2) ¹⁾ |
| Weeks Island Landowner, LLC | Chicago | USA | 100.00% | USD | 28 | 0 |
| Werra Kombi Terminal Betriebsgesellschaft mbH | Philippsthal | Germany | 50.00% | EUR | 23 | (2) ²⁾ |
| Wohnbau Salzdorf GmbH | Bad Salzdorf | Germany | 100.00% | EUR | 1,820 | 3 ¹⁾ |
| Zoll Pool Hafen Hamburg AG | Hamburg | Germany | 1.96% | EUR | 277 | 4 ²⁾ |

¹⁾ Profit or loss transfer agreement with parent company (net profit/loss for the year before profit or loss transfer)

²⁾ Annual financial statements as at 31 December 2009

³⁾ Newly established in December 2010

⁴⁾ Exempted from annual financial statements

⁵⁾ Financial year from 1 July to 30 June - annual financial statements as at 30 June 2009

⁶⁾ Financial year from 1 August to 31 July - annual financial statements as at 31 July 2010

⁷⁾ Annual financial statements as at 31 December 2008

⁸⁾ No information possible

Honorary chairman of the Supervisory Board

[Gerhard R. Wolf \(75\), business administration graduate, Worms](#)

Former member of the Board of Executive Directors of BASF AG, Ludwigshafen

Former chairman of the Supervisory Board of K+S Aktiengesellschaft

In office and chairmanship until the close of the ordinary Annual General Meeting on 14 May 2008

Members of the Supervisory Board

As of 31 December 2010

[Dr. Ralf Bethke \(68\), business administration graduate, Deidesheim, Chairman of the Supervisory Board](#)

[Shareholder representative](#)

Former chairman of the Board of Executive Directors of K+S Aktiengesellschaft

Supervisory Board chairman since 14 May 2008

In office until the close of the ordinary AGM 2012

First appointed: 1 July 2007

Further Supervisory Board appointments:

Benteler International AG, Salzburg (vice chairman)

Dr. Jens Ehrhardt Kapital AG, Pullach (Supervisory Board chairman)

Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart-Ochsenfurt

Südzucker AG, Mannheim

[Michael Vassiliadis \(46\), chemical laboratory technician, Hanover, Vice Chairman](#)

[Employee representative](#)

Chairman of IG BCE (Mining, Chemicals and Energy Trade Union), Hanover

In office until the close of the ordinary AGM 2013

First appointed: 7 May 2003

Further Supervisory Board appointments: BASF SE, Ludwigshafen

Evonik Steag GmbH, Essen (vice chairman)

Henkel AG & Co KGaA, Düsseldorf

[Ralf Becker \(45\), trade union secretary, Lindwedel](#)

[Employee representative](#)

State District Manager North of IG BCE (Mining, Chemicals and Energy Trade Union), Hanover

In office until the close of the ordinary AGM 2013
First appointed: 1 August 2009

Further Supervisory Board appointments: Continental Reifen Deutschland GmbH,
Hanover

Jella S. Benner-Heinacher (50), lawyer, Meerbusch
Shareholder representative

Federal Manager of the Deutsche Schutzvereinigung für Wertpapierbesitz e.V., Düsseldorf

In office until the close of the ordinary AGM 2013
First appointed: 7 May 2003

Further Supervisory Board appointments: A.S. Création Tapeten AG, Gummersbach
TUI AG, Hanover

George Cardona (59), economist, Monaco
Shareholder representative

Member of the Board of Directors of OJSC EuroChem Mineral and Chemical Co., Russia

In office until the close of the ordinary AGM 2015
First appointed: 9 October 2009

Other appointments to supervisory bodies:

Board of Cardona Lloyd Hedge Portfolio Ltd., Guernsey,
Channel Islands – until July 2010
Board of Cardona Lloyd Ltd., Guernsey, Channel Islands
– until July 2010
Board of Diversified Macro Solutions plc, Ireland
Board of Donalink Ltd., Cyprus
Board of Erglis Ltd., Cyprus (chairman)
Board of EuroChem Group SE, Cyprus (chairman,
until 22 September 2010: MCC Holding plc)
Board of Hamilton Art Ltd., Isle of Man (chairman)
Board of Hamilton Jets Ltd., Bermuda (chairman)
Board of Harewood House Ltd., Jersey, Channel Islands (chairman)
Board of Linea Ltd., Bermuda (chairman)
Board of Linetrust PTC Ltd., Bermuda (chairman)
Board of Directors of OJSC Siberian Coal Energy Co., Russia
Board of Valise Ltd., Bermuda (chairman)
Board of Valton Ltd., Bermuda – since December 2010 (chairman)

Harald Döll (46), power plant electronic technician, Philippsthal
Employee representative

Chairman of the Works Council of K+S KALI GmbH's Werra plant

In office until the close of the ordinary AGM 2013

First appointed: 1 August 2009

Dr. Rainer Gerling (52), engineering graduate, Heringen (Werra)
Employee representative

Head of K+S KALI GmbH's Werra plant

In office until the close of the ordinary AGM 2013

First appointed: 14 May 2008

Rainer Grohe (70), engineering graduate, Otterstadt
Shareholder representative

Assistant Professor at the Bundeswehr University, Munich

In office until the close of the ordinary AGM 2013

First appointed: 6 May 1998

Further Supervisory Board appointments:

Aurubis AG, Hamburg

Graphit Kropfmühl AG, Hauzenberg (vice chairman)

PFW Aerospace AG, Speyer

Other appointments to supervisory bodies:

Advisory committee VRD GmbH and VRD GbR, Heidelberg

Dr. Karl Heidenreich (69), business administration graduate, Mannheim
Shareholder representative

Former member of the Board of Executive Directors of Landesbank Baden-Württemberg Stuttgart/Karlsruhe/Mannheim

In office until the close of the ordinary AGM 2013

First appointed: 7 May 2003

Rüdiger Kienitz (50), mining technologist, Geisa
Employee representative

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

In office until the close of the ordinary AGM 2013

First appointed: 26 March 1998

Klaus Krüger (56), mining technologist, Wolmirstedt

Employee representative

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

Chairman of the Joint Works Council of the K+S Group

In office until the close of the ordinary AGM 2013

First appointed: 9 August 1999

Dieter Kuhn (52), mining engineer, Bernburg

Employee representative

Chairman of the Works Council of esco GmbH & Co. KG's Bernburg plant

First deputy of the Joint Works Council of the K+S Group

In office until the close of the ordinary AGM 2013

First appointed: 7 May 2003

Dr. Bernd Malmström (69), jurist, Berlin

Shareholder representative

Lawyer

In office until the close of the ordinary AGM 2013

First appointed: 7 May 2003

Further Supervisory Board appointments:

HHLA Intermodal GmbH, Hamburg

IFCO-Systems N.V., Amsterdam (chairman)

Lehnkering GmbH, Duisburg (chairman)

SBB Schweizer Bundesbahnen AG, Berne (Administrative Board)

VTG AG, Hamburg

Other appointments to supervisory bodies:

DAL - Deutsche-Afrika-Linien GmbH & Co. KG, Hamburg

time:matters GmbH, Neu-Isenburg (chairman)

Dr. Rudolf Müller (67), agricultural engineering graduate, Ochsenfurt

Shareholder representative

Former member of the Board of Executive Directors of Südzucker AG, Mannheim

In office until the close of the ordinary AGM 2013

First appointed: 7 May 2003

Other appointments to supervisory bodies:

University Council Fachhochschule Weihenstephan-Triesdorf, Freising (chairman)

University Council of the Universität Hohenheim, Stuttgart

Renato De Salvo (46), shop fitter, Auhagen

Employee representative

Shop fitter at the K+S KALI GmbH's Sigmundshall plant

In office until the close of the ordinary AGM 2013

First appointed: 7 May 2003

Dr. Eckart Sünner (66), lawyer, Neustadt a. d. Weinstraße

Shareholder representative

Chief Compliance Officer of BASF SE, Ludwigshafen

In office until the close of the ordinary AGM 2013

First appointed: 28 April 1992

Further Supervisory Board appointments: Infineon Technologies AG, Neubiberg

Supervisory Board committees

Audit committee

Shareholder representatives

Dr. Eckart Sünner (chairman)

Dr. Ralf Bethke

Dr. Karl Heidenreich

Employee representatives

Klaus Krüger

Michael Vassiliadis

Personnel committee

Shareholder representatives

Dr. Ralf Bethke (chairman)

Rainer Grohe

Employee representatives

Klaus Krüger

Michael Vassiliadis

Nomination committee

Shareholder representatives

Dr. Ralf Bethke (chairman)

Jella S. Benner-Heinacher

Dr. Bernd Malmström

Dr. Rudolf Müller

Mediation committee

Shareholder representatives

Dr. Ralf Bethke (chairman)

Dr. Eckart Sünner

Employee representatives

Klaus Krüger

Michael Vassiliadis

Members of the Board of Executive Directors

Norbert Steiner (56), lawyer, Baunatal, Chairman

Corporate Development and Controlling

Legal Affairs / Compliance

Investor Relations

Communications and Media

Senior Management / International HR Coordination

Salt

In office until 11 May 2015

First appointed: 12 May 2000

Supervisory Board appointments: E.ON Mitte AG, Kassel

K+S KALI GmbH (chairman), Kassel

Joachim Felker (58), industrial business manager, Munich

Potash and Magnesium Products

Nitrogen Fertilizers

In office until 30 September 2012

First appointed: 1 October 2005

Supervisory Board appointments: K+S KALI GmbH, Kassel

Gerd Grimmig (57), engineering graduate, Söhrewald

Mining

Geology

Technology / Energy

Research and Development

Environment, Work Safety, Quality Management

Inactive plants

Waste Management and Recycling

Animal hygiene products

Consulting

MSW Chemie

In office until 30 September 2013

First appointed: 1 October 2000

Supervisory Board appointments: K+S KALI GmbH, Kassel

Dr. Thomas Nöcker (52), lawyer, Kassel, Personnel Director

Personnel

IT-Services

Organisation and Project Management

Property Management

Knowledge Management

Health Management

Global Logistics Strategy

Logistics Purchasing

Kali-Transport GmbH (KTG)

Trading Businesses (CFK)

In office until 31 July 2016

First appointed: 1 August 2003

Supervisory Board appointments: K+S Kali GmbH, Kassel

Other appointments to supervisory bodies: Advisory Board of RAG Bildung GmbH, Essen
– until July 2010

Jan Peter Nonnenkamp (47), economics graduate, Munich

Finance and Accounting

Purchasing, Materials Management and Warehousing

Audit

Taxes

Insurance

In office until 31 May 2012

First appointed: 1 June 2009

Shareholders

Meritus Trust Company Limited, Bermuda, holds, via EuroChem Group SE and its subsidiaries attributed to it, just under 15% of the shares. Meritus manages the industrial shareholdings of Andrei Melnichenko on a fiduciary basis. BASF SE, Ludwigshafen, continues to hold slightly more than 10% of our shares. After BlackRock Inc. had initially informed us on 2 September that it had fallen below the threshold of 3%, on 13 September, the company announced that this threshold had again been exceeded and that its shareholding was 3.63%. On 26 November, we were informed by AXA S.A., Paris, France, that it held 3.06 % of K+S shares.

Proposal to the appropriation of profits

The net profit of K+S Aktiengesellschaft achieved in financial year 2010 is T€ 217,822. With the profit carried forward of T€ 7,870 taken into account, there is a retained profit of T€ 225,692. The Board of Executive Directors intends to propose that a dividend of € 1.00 per non-par value share (T€ 191,400) be paid from the retained profit and that the residual amount of T€ 34,292 be carried forward.

Kassel, 1 March 2011

K+S Aktiengesellschaft
The Board of Executive Directors

Auditors' Report

We have audited the annual financial statements – consisting of the balance sheet, income statement and notes – including the accounting and the management report of K+S Aktiengesellschaft, Kassel, for the financial year from 1 January to 31 December 2010. The accounting as well as the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's Board of Executive Directors. Our responsibility is to express an opinion of the annual financial statements, including the accounting, and the management report, on the basis of our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit in such manner that material misstatements affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with the German Accepted Accounting Principles and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company as well as evaluations of possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the system of internal accounting control relating to the accounting system and the evidence supporting the disclosures in the accounting, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Executive Directors, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on our audit findings, the annual financial statements of K+S Aktiengesellschaft, Kassel, comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the German Accepted Accounting Principles. The management report is consistent with the annual financial statements, provides a suitable understanding of the position of the Company and suitably presents the opportunities and risks of future development.

Hanover, 1 March 2011

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Beine
Auditor

Römgens
Auditor